Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rs15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,525 Thursday April 28 1988 D 8523 A

South African strike puts union on the spot, Page 18

World News

Iranians furious after Saudis cut links

A bomb exploded at the Kuwait office of the Saudi national airline Saudia as Iran reacted furiously to Riyadh's decision to sever diplomatic relations with Tehran. The bomb slightly injured a security guard and caused extensive damage.

Iran said the Saudis had cut ties with the aim of preventing Iranians from participating in the hajj Moslem pilgrimage to Mecca this July. Page 18; Saudi loses patience, Page 4

Mozambique seeks new talks with South Africa

Pretoria and Maputo seemed poised for improved relations after Mozambican President Joaquim Chissano sent an envoy to South African President P. W. Botha with a proposal to revive the Nkomati accord of March 1984.

The accord provided for expulsion of ANC cadres from Mozambique in return for an undertaking by Pretoria to end support for MNR rebels and build normal political and economic relations. Page 4; Union on the defensive, Page 18

Kabul bomb kills 6

Six people were killed and 49 injured when a bomb in a truck exploded in central Kabul. Page 4

Israel blames Syria

Palestinian gunmen penetrated Israel's northern border defences for the second consecutive day – and were intercepted – as Defence Minister Yitzhak Rabin blamed Syria for a recent surge in cross-border attacks. Page 4.

US releases war papers

US National Archives opened for public viewing the first batch of documents collected by the US Army during the Vietnam War. The documents total 12 million pages – one-sixth of the 72 million pages to be released.

Train 'attacked'

A US military train was damaged by explosions on a journey between Frankfurt and Berlin and West German police said they suspected an attack.

Spaniards protest

Demonstrators built barricades, marched and turned pigs loose among traffic jams in nation-wide protests against the Government's social policies.

S Korean poll upset

South Korea's ruling party lost its majority for the first time in the country's history as final results of the National Assembly elections were returned. Page 18

Moneymakers strike

Employees of West Germany's state-run Bundesdruckerei printing concern – which produces banknotes, passports and identity cards – went on strike over pay and hours of work.

Australian 'hypocrisy'

South Africa accused Australia of hypocrisy in criticising the apartheid system while ignoring the plight of the Aborigines.

Anti-cancer campaign

EC officials announced plans for an anti-cancer campaign aimed at saving 150,000 lives by the year 2000 and focusing on smoking, over-eating, drinking and spending too much time in the sun.

EC pledge on animals

The European Community said 10m animals were used in laboratory experiments each year and it was determined to reduce the number.

Bullfrogs recalled

A garden store in Newcastle upon Tyne, north-east England, recalled 400 imported giant carnivorous bullfrogs after ecologists complained the creatures would eat native frogs and newts instead of scaring off cats from goldfish ponds.

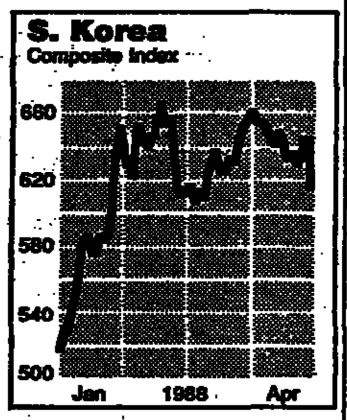
Business Summary

De Beers lifts diamond prices by 13.5 per cent

Buoyant world demand for gem diamonds prompted De Beers' Central Selling Organisation to raise the price of rough (uncut) stones by an average of 13.5 per cent from next month. This is believed to be the biggest-ever single increase in the price by the CSO which controls 80 per cent of the world market. Page 18

NESTLE, Swiss foods group which is bidding for Rowntree of the UK, stressed the extent of the financial strength it could muster to back its bid. Page 21; Pressure increases, Page 18

SOUTH KOREAN shares plunged in thin volume as the ruling Democratic Justice Party's failure to win a parliamentary majority in Tuesday's elections sent small investors rushing for cover. The composite index dropped 25.97 to 618.73. Page 42



TOKYO: Unfavourable external factors disheartened investors, dragging down the Nikkei average for the first time in five trading days. It closed 54.8 down at 27,191.97. Page 42

WALL STREET: The Dow Jones industrial average closed up 3.15 at 2,047.91. Page 42

LONDON: Takeover fever swamped London but worries that ICI might launch a rights issue calmed the market down. After an early gain of 13 points, the FT-SE 100 index closed up 5.9 at 1,806.7. Page 38

DOLLAR closed in New York at DM1.6747, Y124.85, SFr1.3870 and FFr5.6860. It closed in London at DM1.6750 (unchanged); Y125.05 (Y124.75); SFr1.3875 (SFr1.3865); and FFr5.6850 (FFr5.69). Page 31

STERLING closed in New York at $1.8740. It closed in London at $1.8770 ($1.8750); DM3.1450 (DM3.14); Y234.75 (Y234); SFr2.6050 (SFr2.60); and FFr10.67 (FFr10.6650). Page 31

CHEVRON, big US oil group, lifted first-quarter net earnings from $361m or $1.06 a share to $858m or $1.91. Page 19

PEPSICO, US soft drinks, snack foods and restaurant group, reported a jump in first-quarter earnings of 52 per cent. Page 19

WALT DISNEY, US theme parks and entertainment company, has announced a 26 per cent jump in second-quarter net profits. Page 23

BARCLAYS BANK, large UK clearer, shareholders approved proposals by the bank's board for a rights issue of £921m ($1.6bn). Page 19

DU PONT, biggest US chemicals producer, announced a 51 per cent increase in first-quarter earnings. Page 19

BRIDGESTONE, Japanese tyre group, received about 30.6m common shares of Firestone Tire & Rubber, US tyre group, or 96.4 per cent, in response to its tender offer for all shares at $80 each.

BRIERLEY INVESTMENTS, Sir Ron Brierley's New Zealand company, is looking for a buyer for its 35 per cent holding in NZI, leading insurance and financial services group. Page 20

PRIMERICA, US financial conglomerate created from the corporate shell of American Can business, made net profits of $55.7m or 99 cents a share in the first quarter. Page 19

France 'sends troops' to Pacific after more kidnapped

FRANCE is rushing five plane-loads of troops and equipment to its South Pacific territory of New Caledonia after armed separatists took more French hostages, French radio reported last night.

The reports, monitored by Reuters news agency in Paris but officially unconfirmed, quoted sources at a military airport near Nantes in western France as saying that five Transall military transport aircraft took off, bound initially for Paris, with an unknown number of troops aboard.

They said the troops came from a base at Vannes, where two units of France's elite Rapid Action Force and a marine regiment are based.

The radio said the aircraft would fly on from Paris to New Caledonia, 20,000 km away, to join 4,000 troops and gendarmes already sent in to restore order.

Eight Frenchmen, including a magistrate and the head of France's crack anti-terrorist squad, were kidnapped by Kanak (ethnic Melanesian) separatists on Wednesday during negotiations to free 16 gendarmes held since Friday.

French officials in Noumea said the magistrate, Mr Jean Bianconi, was about to start the talks when he and his six guards were seized by a group of about 15 Kanaks.

The kidnappers are now holding 23 hostages on the remote island of Ouvea, east of Noumea, after an attack last Friday in which three gendarmes were killed and 27 others taken prisoner.

Eleven were released on Sunday. The rest are still being held in some of the hundreds of limestone caves that dot Ouvea. More than 300 troops are searching for them.

Ouvea has been declared a military zone by French authorities and closed to the public and media.

The capture of members of the Rapid Action Force is seen in Paris as a dramatic challenge by FLNKS activists to Mr Jacques Chirac's Government.

The controversy over New Caledonia has also turned into an open diplomatic dispute with Australia and New Zealand. The French Government has reacted angrily to Australian and New Zealand attacks on the Pacific policies of the Chirac administration and yesterday summoned Canberra's ambassador to Paris to complain about Australian attitudes to the crisis.

The warning followed criticism by Mr Bob Hawke, the Australian Prime Minister, and Mr David Lange, New Zealand's premier.

Mr Hawke who, like Mr Lange supports Kanak demands for an end to rule from Paris, said on Sunday he was "terribly distressed that events had turned this way. This way lies just further violence and bloodshed".

The New Caledonia branch of the extreme right-wing National Front led by Mr Jean-Marie Le

Continued on Page 18

Polish protest spreads as Krakow workers reject 50% pay offer

BY CHRISTOPHER BOBINSKI IN KRAKOW

STRIKING WORKERS at Poland's largest enterprise, the Lenin steelworks in Krakow, rejected offers of a 50 per cent pay rise yesterday as fresh stoppages were planned. This is the first wave of serious labour unrest in the country since the 1981 martial law crackdown.

The 8,000 Krakow strikers, about a quarter of the plant's workforce, are demanding further compensation for sharp price rises in February: both for themselves and several million pensioners, health workers and teachers. The reinstatement of four union activists who were sacked under martial law is also being sought.

Prices rose 42 per cent in the first quarter following a government plan to reduce subsidies on many consumer items and make prices more realistic.

Mr Lech Walesa, the Solidarity leader, declared his support for the strike, saying it reflected "efforts by workers to defend their living standards". He added that "millions of people are waiting for the restoration of the rights of their trade union, Solidarity."

The official Polish press agency, PAP, hinted at a tough official attitude to the strikers.

It accused them of "seeking to heighten the tension in the country" and implied that their real purpose to achieve a comeback for Solidarity.

The stoppage began on Tuesday morning in the wake of a successful one-day public transport strike in the northern town of Bydgoszcz.

A strike has been called at the Stalowa Wola machinery works in southern Poland for Friday, and public transport workers in Krakow are threatening to stop work on the same day. Employees at a major Krakow dairy also started a pay protest yesterday.

Management at the Krakow plant told workers yesterday afternoon the plant had no funds to offer beyond the 50 per cent offer already made.

The talks were being held with a nine member strike delegation in the presence of other workers. Outside the plant there was no sign that the strike was in progress as traffic flowed normally. There was scant evidence of the security forces.

Inside the striking workers have staged a round-the-clock sit-in, changing shifts every 16 hours. The strike co-ordinators, who have demanded immunity for themselves and full pay for the stoppage, are staying in the plant.

Also present at the plant was Mr Alfred Miodowicz, head of the official trade union movement and a party Politburo member.

But, in contrast to the Bydgoszcz strike where the official unions played a leading role, there is little sign of them in the Krakow steel stoppage, although they claim 16,000 members.

US administration presses on with Saudi arms deal

LIONEL BARBER IN WASHINGTON

THE REAGAN administration yesterday notified the US Congress that it intends to go ahead with a $825m arms sale to Saudi Arabia, despite Congressional concern over the Saudi purchase of Chinese missiles.

The arms package is seen as a key test for the administration's ability to deliver on its pledges to sell arms to Saudi Arabia, a key Gulf ally.

The official notification of Congress follows Saudi Arabia's announcement last Tuesday that it had severed diplomatic relations with Iran and that it was signing the nuclear Non-proliferation Treaty.

Both announcements seemed designed to win support in Washington for the arms sales package, which includes $500m in infantry fighting vehicles and anti-tank missiles, as well as support and training for Saudi Awacs surveillance aircraft in the Persian Gulf.

Congressional opposition to the arms package grew in recent weeks after the disclosure that the Saudis had secretly bought Chinese intermediate-range missiles capable of being fitted with nuclear warheads and reaching any part of the Middle East.

The administration delayed official notification of the arms sales package to Congress from a target date on Monday. Officials however denied a quid pro quo between the arms package and the Saudi decision on signing the nuclear non-proliferation pact.

Under US rules, Congress has 30 days from yesterday to study the proposed sale of the military equipment. If it does not vote an objection, the sale will go through.

Boeing Corporation would provide the Awacs equipment and technicians which are viewed as vital support for the US Navy's role in the Gulf.

The Saudis, in the face of sharp Congressional division, first purchased the Awacs aircraft in 1981. The surveillance operations have proved useful to the US Navy which is escorting Kuwaiti oil tankers and other US-flagged vessels in the Gulf against attack from Iran or any other belligerent nation.

The administration also proposed to sell 200 Bradley M-2 infantry fighting vehicles, 4,460 TOW-2 anti-tank missiles and ammunition.

This month, 58 US Senators and 187 House members sent a letter to Mr George Shultz, US Secretary of State, protesting against the arms sales and requesting a delay in formal notification to Congress.

Junk bond king stays silent

BY RODERICK ORAM IN WASHINGTON

TANNED, contained and mindful of his constitutional rights, Mr Michael Milken, Beverly Hills' king of junk bonds, declined to shed any light for Congress yesterday on his role as the most powerful financier in America.

Three times he read a short statement invoking his Fifth Amendment right not to answer Congressmen's questions lest the evidence be used against him.

He said that his lawyer, Mr Edward Bennett Williams, one of Washington's most powerful advocates, had advised him to take the Fifth, because "I have been under an intense grand jury investigation" in New York for the past 18 months.

Mr Milken and Drexel Burham Lambert, his employer, plus other Wall Street firms, came under searching scrutiny after Mr Ivan Boesky pleaded guilty to insider trading charges in November 1986. Mr Rudolph Giuliani, US attorney in New York, the Securities and Exchange Commission, and a Congressional sub-committee chaired by Mr John Dingell are conducting separate investigations.

"Big John" Dingell had subpoened Mr Milken because he had refused to appear voluntarily in Washington. The crusty, long-serving representative from a blue collar Detroit suburb, wanted to know if Mr Milken and his Drexel colleagues had profited unfairly from junk bonds.

The prospect of a meeting of kings – Mr Dingell inherited his district from his father and is planning to pass it on to his son – packed the hearing room.

While the Californian looked like one of the healthier, though most tense people in the room, Big John was sporting a spectacular pair of black eyes inflicted over the weekend while on a turkey hunt in Texas with Mr James Baker, the Treasury Secretary.

If Mr Milken was uncomfortable at his first questioning in public about junk bonds, his lawyer quickly put him out of his misery. Mr Williams assured Mr Dingell that he had advised his client to keep invoking the Fifth regardless of the questions.

Having put his client out of his intense discomfort, Mr Williams should try his hand at helping a whole city. As owner of the Baltimore Orioles, he must bear some responsibility for the team's record of zero wins and 19 losses so far this baseball season.

UK appeal court setback for Tin Council creditors

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LONDON

THE BRITISH Court of Appeal yesterday delivered a stinging rebuke to the insolvent International Tin Council (ITC) and its 24 members, which include the European Community, over their treatment of the council's creditors.

But the three appeal judges rejected – by a 2-1 majority – the creditors' argument that ITC members were legally liable for its debts. They also dismissed appeals against the High Court's striking out of a petition for the compulsory winding-up of the council and refusal to appoint a receiver.

The council, which aimed to maintain a balance between tin production and consumption and to prevent excessive price fluctuations, ran out of money in 1985 in a vain attempt to support the world price of tin and collapsed with debts of around £900m ($1.7bn).

Its conduct, said one of the judges, Lord Justice Kerr, yesterday, was "unbecoming to an international organisation, to those who constitute it, to those who are responsible for its actions and to those who advise it."

The council's duty was to undo as far as possible the damage to its creditors by ensuring that its assets were used to pay its debts, without any further delay.

"And its members are, in our view at least, morally obliged to put the ITC in funds to ensure that its creditors are ultimately paid in full," Lord Justice Kerr said.

Those strong words were, however, almost the only consolation for the council's creditors in the judgments of the first round of appeals in the flurry of lawsuits arising from the council's collapse into insolvency in October 1985.

The creditors' only successes were the court's rejection of the ITC's challenge to High Court orders requiring it to disclose the "nature, value and location" of its worldwide assets to one of the creditors, and the rejection of the EC's claim to sovereign immunity from English court proceedings.

The parties will return to court on May 16 to deal with the consequences of yesterday's rulings. The expectation is that the whole matter will then go to the Law Lords – Britain's highest court of appeal – for a final ruling.

In a joint introduction to their judgments, the judges said contracts and other transactions were said to have been concluded when it must have been obvious to those in control of the ITC that there were no longer any funds

"In other contexts," the judges said, "these allegations would be referred to as fraudulent trading on a massive scale... The inference of gross mismanagement, to put it no higher, is overwhelming."

The scale of the council's operations was staggering, the judges said, and its financial collapse unprecedented.

"Other minor international organisations have run into financial difficulties, but none has been abandoned by its members, let alone with emphatic disclaimers of liability to the creditors and failure to put the organisation in funds to meet its undisputed debts," the judges said.

At the end of the judgments, Lord Justice Kerr said the court had formed the clear impression that the council had given no sufficient thought as to how it should meet its obligations.

Business Law, Page 13; Editorial comment, Page 16; Judgment details, Page 30

Confident Bush ready for Dukakis broadside over Iran

By Stewart Fleming, US Editor, in Washington

VICE PRESIDENT George Bush won enough delegates in the Republican primary in Pennsylvania on Tuesday night to ensure his nomination as the party's candidate for the US presidency.

He promptly challenged his likely Democratic rival for the White House, Governor Mike Dukakis of Massachusetts, to "fire away" at him on the issue of his role in the Iran-Contra scandal.

In interviews after locking up his party's nomination, a confident Mr Bush, taking the stance that attack is the best form of defence, has said that the Iran-Contra scandal has been fully investigated.

He suggested that to continue to raise questions about the affair reflected a lack of understanding about the complexity of foreign policy formulation.

"The Democrats are a little short on foreign policy," Mr Bush told reporters, taking aim at an area where Mr Dukakis is perceived to be inexperienced.

Mr Bush indicated too that he will portray Mr Dukakis as a liberal Democrat whose views link him inextricably to the failed policies of the last Democratic President, Jimmy Carter.

Pennsylvania's primary took Mr Bush's delegate total above the 1,139 he needs to be nominated at his party's convention in New Orleans in August. It also seems to have had a decisive impact on the Democratic party's presidential nomination race. Mr Dukakis trounced the Rev Jesse Jackson, taking 66 per cent of the votes against 29 per cent for Mr Jackson.

This is expected to give Mr Dukakis 165 of the 178 delegates to the Democratic convention at stake in the state. Mr Dukakis is now estimated to control about 1,260 delegates compared with 865 for Rev Jackson, his last remaining challenger. It takes 2,081 delegates to win the Democratic party's nomination.

Although Mr Dukakis is well short of this goal, his victory in Pennsylvania seems to have knocked the wind out of the Jackson campaign.

Rev Jackson is vowing to continue to challenge Mr Dukakis in the remaining primaries, and is given some chance of doing well in the California and New Jersey primaries

Continued on Page 18

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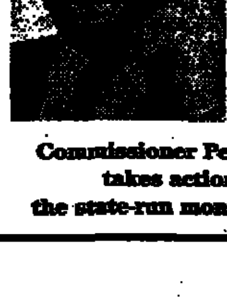

EC RINGS THE CHANGES ON EUROPE'S TELECOM MARKET

Commissioner Peter Sutherland takes action against the state-run monopolies, Page 6

OVERSEAS NEWS

Giscard takes three days before endorsing Chirac

BY IAN DAVIDSON IN PARIS

AFTER THREE days of deliberate suspense, Mr Valéry Giscard d'Estaing, former President of France and one of the main pillars of the UDF group of centre-right parties, yesterday endorsed Mr Jacques Chirac, the neo-Gaullist Prime Minister, in his run-off against Mr François Mitterrand in the second round of the presidential elections on May 8.

At the same time, the latest opinion poll predicts a victory for Mr Mitterrand with 57 per cent. Of the 14 per cent who voted for the far-right candidate Mr Jean-Marie Le Pen in the first round, nearly a third would vote for Mr Mitterrand in the second.

The timing of Mr Giscard d'Estaing's declaration is not without an element of quiet malice, and epitomises the strained relations both within the UDF and between the UDF and the RPR neo-Gaullist party.

In the campaign before the first round of voting last Sunday, Mr Giscard d'Estaing ostentatiously declined to endorse either Mr Raymond Barre, standard-bearer of the UDF, or Mr Chirac, on the grounds that both had served as Prime Minister under his presidency in 1974-81.

His endorsement was in fact virtually a foregone conclusion. Mr Barre came third in Sunday's vote and is thus excluded from the second round; in the face of the alarming rise in the vote for Mr Le Pen, leader of the National Front, the leaders of the centre-right political establishment could hardly avoid endorsing their remaining candidate.

And yet the Giscard declaration comes three days after the first round of voting, whereas Mr Barre had generously swung his support behind Mr Chirac, in a joint television appearance with the RPR candidate on Sunday night.

If Mr Mitterrand wins as expected, and the government is replaced, Mr Giscard d'Estaing could hope to play a bigger role on the political scene than for some time, since Mr Chirac and his government ministers would cease to be members of Parliament and Mr Giscard d'Estaing would therefore remain one of the leading right-wing national figures in the National Assembly.

However, Mr Barre has already started staking out his claim to play a bigger role on the right of the French political stage, not least because Mr Chirac did so badly in the first round and is no longer seen as the uncontested leader of the right. In a combative assessment of the election, Mr Barre has delivered a verdict which is surprisingly bitter about the equivocation of his own supporters, and even more surprisingly respectful of the performance of Mr Mitterrand.

Meanwhile, the Communist party is expected to endorse Mr Mitterrand formally today.

FRENCH ELECTIONS

Israeli scientist claims Italy's grapefruit scare a sour hoax

BY JOHN WYLES IN ROME

ITALY'S poisoned grapefruit scare may prove to be a highly unamusing hoax. There were no reports of poisoning nor further evidence of infected fruit yesterday, although thousands of tonnes of grapefruit were being withdrawn from the shelves of shops and supermarkets.

And nor will there be any such reports, according to Mr Israel Addato, a scientist from the Israeli Ministry of Agriculture, who said yesterday that Italian authorities had jumped to the wrong conclusion about the blue colouring found in six Jaffa-brand grapefruits imported from Israel. It was, in fact, colouring and not poison, he said.

Mr Addato claimed yesterday that it is virtually impossible to inject poison into citrus fruit without the effects being spotted. The nature of its "meat" forces poison out into the skin which then becomes blotched.

No confirmation of Mr Addato's claims was forthcoming from the Italian side last night.

If he is right, then there will be some red faces at the Rome laboratory which concluded that the Jaffa grapefruits had been poisoned before carrying out secondary tests on the dark blue colouring found in their interior. The tests were ordered last night by Italy's chief prosecutor.

The hoax theory draws strength from the fact that the tip-off phone call to the Roman police on April 19 directed them to a specific supermarket where the infected grapefruit were found.

The choice of Jaffa fruit suggests that the scare is politically-motivated, as does the affiliation claimed by the anonymous caller who said he was a member of the "metropolitan proletarian organisation and oppressed people."

Ironically, grapefruit is the only citrus imported into Italy, all other fruits are excluded by highly protective health regulations.

Belgium breaks stalemate on government coalition

BY TIM DICKSON IN BRUSSELS

A NEW centre-left Government looks increasingly likely to be formed in Belgium next week following an important breakthrough last night in the four and a half month-old negotiations between the major parties.

A spokesman for Mr Jean Luc Dehaene, the man charged by King Baudouin with finding a compromise programme for the new coalition, announced that the presidents of the five parties involved in the talks had found a solution to the bitterly-contested issue of Les Fourons (or Voeren).

Les Fourons is the tiny commune which has become the flashpoint for rivalries between Belgium's Flemish and Francophone communities and whose problems led to the fall last year of the centre-right Government headed by Mr Wilfried Martens.

Details of the accord – expected to be ratified by Party congresses this weekend – were not clear early last night.

The most intriguing question, however, was whether the King will ask Mr Dehaene to be Prime Minister or whether Mr Martens will be invited to form his seventh administration.

Mr Martens' colleagues in his Flemish-speaking Christian Democrat Party (CVP) have indicated that, subject to conditions which now appear to have been met, he is ready to drop his reservations about sharing power with the Socialists.

Chill back in relations across the Aegean

By Andriana Ierodiaconou in Athens and Jim Bodgener in Ankara

RELATIONS between Greece and Turkey, which improved markedly following the talks in Davos last January between their Prime Ministers, Mr Andreas Papandreou and Mr Turgut Ozal, have taken a turn for the worse after the collapse of a European Community-Turkey meeting in Luxembourg last Monday.

Though Turkey has made clear it is prepared to attend another meeting of the EC-Turkey Association Council before the end of West Germany's presidency of the Council, a Foreign Ministry spokesman said it would do so only if all mention of Cyprus were excluded.

It was a reference to the impact of the Cyprus problem on EC-Turkish relations in the opening statement by Mr Hans-Dietrich Genscher, the West German Foreign Minister and President of the Council, which led to Ankara's boycott of last Monday's meeting. The Turkish spokesman said Ankara's views on the subject had been communicated to EC member governments three weeks beforehand.

Mr Genscher promised on Tuesday that another meeting would be arranged before the end of June, when Greece takes over the presidency, but he did not specify how the disagreement could be resolved.

The deterioration of Greek-Turkish relations has been accompanied by intense speculation in Athens that a planned visit in June by Mr Ozal to Greece might be cancelled. Although the two Prime Ministers appeared to play down their dispute over Cyprus in Davos, it has since become clear that Athens continues to regard Turkish concessions on Cyprus as the key *to a lasting improvement* in bilateral relations.

Expectations

In both Athens and Nicosia, the Cypriot capital, there were expectations that the Davos meeting would lead Mr Ozal to make a goodwill gesture in the form of the withdrawal of a few thousand Turkish troops from Northern Cyprus, occupied by Turkey since 1974.

The Greeks have been particularly disappointed the gesture has not materialised.

In another area of dispute between the two countries, the Aegean, Athens has complained that Turkish military aircraft have continued to trespass into what Greece says is its 10-mile airspace. Ankara recognises only a six-mile limit.

On the eve of the EC-Turkey Association Council meeting, Mr Papandreou sent an urgent message to Mr Ozal calling on Ankara to refrain from actions and statements which might jeopardise "the spirit of Davos."

However, Mr Ozal has been criticised at home for making too great a concession by receiving the Greek ambassador to Cyprus, who was conveying Mr Papandreou's message.

Diplomats in Ankara said EC member countries were surprised by Turkey's sudden withdrawal from the Luxembourg meeting.

They stressed that the "offending" statement was a unilateral declaration by EC members which could have been rejected by Turkey without seriously affecting the substance of the talks.

Carlucci discounts strategic weapons treaty at summit

BY DAVID WHITE, DEFENCE CORRESPONDENT, IN BRUSSELS

NO AGREEMENT on strategic arms reductions can be expected from the Moscow summit at the end of May, Mr Frank Carlucci, the US Defence Secretary, told Nato ministers yesterday. But the US believes Moscow wants a treaty within the remaining life of the Reagan Administration.

He said the Soviet authorities were thought to consider that the current US administration – which ends next January – provided the best chance for a Start agreement being accepted in the US and therefore ratified.

Mr Carlucci said the main obstacles to a treaty were the problem of verification, the question of whether submarine-launched cruise missiles should be classed as strategic weapons, and counting rules for air-launched missiles.

At a meeting of Nato's Nuclear Planning Group, Mr Carlucci also presented allied defence ministers with evidence that the Soviet Union was systematically modernising nuclear weapons, to compensate for the last December's treaty on eliminating intermediate-range nuclear forces.

The report was seen as being aimed in particular at West Germany, which has been reluctant to give top priority to updating Nato's other nuclear arms in Europe.

According to the US intelligence briefing, the Soviet Union has continued to update short-range missiles, improve its nuclear-capable tactical aircraft and increase the number of these aircraft earmarked exclusively for nuclear missions. The latter account for 25-30 per cent of a total of more than 4,000 aircraft capable of carrying nuclear weapons, US officials were reported as saying.

At the same time the US warned of the prospect of variable-range strategic missiles such as the SS24 being used to fulfil the role of SS20s which are due to be scrapped under the INF treaty. These missiles, which could be either based in silos or be mobile, could be directed at European targets. Although it was impossible to say which ones were, the increased numbers raised the potential for such a switch.

The US also warned that the Soviet Union could be expected to introduce further air-launched and sea-launched weapons with ranges of around 3,000km.

Danish opposition move eases threat to Nato ties

BY HILARY BARNES IN COPENHAGEN AND DAVID WHITE IN BRUSSELS

THE THREAT of a crisis in Denmark's relations with Nato appeared to recede yesterday after the opposition Social Democratic party modified its position on visits to Danish harbours by ships carrying nuclear weapons.

A snap general election was called for May 10 after centre-left parties defied the ruling Conservatives and passed a resolution in parliament requiring the Government to inform visiting vessels that Denmark does not accept nuclear weapons on its territory.

The resolution caused alarm in Britain and the US, which refuse to confirm or deny the presence of nuclear weapons on their ships. The allies' fears were strengthened by a Social Democratic document presented to parliament's defence committee. *This spells out that visiting ships* should "know and respect" Danish non-nuclear policy, which should be stated in the "clearance letter" which ships receive before entering Danish ports.

At a news conference yesterday, Mr Svend Auken, the Social Democratic leader, said the party did not want to tighten conditions any further than stated in the parliamentary resolution. He did not reaffirm the harder language used in the policy document.

A US statement immediately after the resolution said that it might be implemented in such a way as to cause a crisis in relations between Denmark and Nato. This appeared to mean that on certain interpretations, the resolution need not cause a crisis.

However, in Brussels, Mr George Younger, the UK Defence Minister, made clear his opposition to any system under which visiting captains would be "reminded" of Denmark's non-nuclear policy. Should such a policy be implemented, he said, the British would be unable to send in the 13,500-strong UK Mobile Force to reinforce Denmark's defences.

Stockholm to squeeze corporate liquidity

BY SARA WEBB IN STOCKHOLM

SWEDEN IS planning measures to harness corporate liquidity and curb inflation, Mr Kjell-Olof Feldt, the Finance Minister, said yesterday.

Presenting his supplementary budget, he stressed the need to stimulate household savings, cut private consumption and restrict wage increases in order to bring down inflation running at about 5-5.5 per cent on a 12-month basis. He also proposed raising taxes on oil and tobacco to increase spending on education and coastal defence.

If parliament approves the proposals this spring, non-financial companies will have to place 15 per cent of their liquid funds (above a SKr50m [£4.5m] threshold) into accounts at the central bank for a two-year period. The move would effectively freeze about SKr10bn of corporate funds. Interest would be paid at below market rates.

Pointing to the wave of takeovers and mergers in Sweden in recent months, Mr Feldt said that the largest industrial groups' high liquidity meant many were acting as banks in their own right and forcing commercial banks to increase their lending to households which, in turn, encouraged consumption. According to Mr Feldt, Sweden's top 20 companies have liquid funds of about SKr100bn.

The move to curb liquidity was widely criticised by industrial leaders who see it as a means of pacifying the unions, many of which have criticised the spate of takeovers.

Though the Government has raised this year's economic growth forecast from 2 per cent to 2.2 per cent, it warned that wage costs must be controlled and proposed lowering marginal taxes next year in the hope of encouraging the unions to aim lower in next year's wage round.

Mr Bengt Johansson, the Wages and Banking Minister, said wage costs were expected to rise by 6 per cent this year in view of agreements struck so far which were "higher than we think healthy for the economy."

Although the rise in private consumption is showing signs of slowing, the Government plans to introduce new youth savings schemes, increase the appeal of the tax-free savings funds, and set limits on credit card use.

Sweden has a negative savings ratio, and consumer demand has led to an increase in imports.

Navies get together in the Gulf

By David White in Brussels

THE US and four European nations with naval forces in the Gulf are to seek closer co-ordination of their minesweeping operations there. However, Mr George Younger, the British Defence Secretary, underlined that this would not imply a joint command.

Naval commanders in the region of the five countries – the US, Britain, Belgium, the Netherlands and Italy – are to be instructed to keep in close touch to establish specific responsibilities. France was not present at the Brussels talks, held during a meeting of *Nato's Nuclear Planning Group.*

Mr Younger emphasised that the move stopped short of a joint command.

Until now co-operation talks have mainly been restricted to the European countries involved.

At the same time, senior British, Belgian and Dutch officials meeting in The Hague reviewed ways of further strengthening their co-operation in dealing with mines in the Gulf. According to a communique they discussed "means by which integration of their respective forces could be achieved".

The Brussels initiative did not extend to operations other than minesweeping, since each nation had "somewhat different purposes," Mr Younger said.

Although the US had indicated it was thinking about extending assistance to ships other than US-flagged vessels, this did not mean that Washington was prepared to offer protection to all shipping of all flags, and did not affect the commitment of the UK.

This involved accompanying British-flagged or British-owned vessels and helping Belgian and Dutch warships acting in concert with the Royal Navy.

Gorbachev backers attack conservatives

BY QUENTIN PEEL IN MOSCOW

SUPPORTERS OF Mr Mikhail Gorbachev's political and economic reforms in the Soviet Union have returned to the offensive against top-level conservatives in the Communist party, demanding that the people behind a published defence of the Stalin era be named.

They also claimed that leading figures in the party hierarchy and in the army were responsible for promoting the document, which was denounced in the party newspaper, Pravda.

The latest onslaught in the ideological debate comes from the weekly newspaper Moscow News, one of the most outspoken official supporters of Mr Gorbachev's policy of *glasnost.*

It publishes a full page of debate between the newspaper and its readers on the subject of the controversial article in Sovietskaya Rossiya, written under the name of Leningrad teacher Nina Andreyeva, and described by its opponents as an "anti-*perestroika* manifesto."

"It is evident that some people are hiding behind Nina Andreyeva," Moscow News says. "Some people want to make their own political business with her hands and with her opinion . . Let those people reveal themselves, and let them openly put forward their course, and let them directly explain their disagreement with Mikhail Gorbachev".

The Soviet party leader's most radical supporters have been suggesting in private that one person behind the article is Mr Yegor Ligachev, the number two in the party hierarchy.

However, Mr Gorbachev and Mr Ligachev put on a public display of unity and good relations only last week, when they chatted *and laughed at a ceremony* in the Kremlin. The latest salvo in the debate suggests frustration on the part of the reform movement that no heads have yet rolled in the affair.

A separate column in Moscow News amounts to the boldest criticism yet of the penal system, declaring that practices in the labour camps still reflected the thinking from Stalin's time.

It criticised the camp system for mixing ordinary criminal offenders with the criminally insane, and sexual offenders, and declared *that it had clearly failed* in its aim of re-educating prisoners to return to ordinary life.

The article *said* that many ex-convicts were refused the residence permits required to obtain urban accommodation on their release, and more than 70 towns had drafted legislation actually banning ex-convicts from living there.

E Germany seeks to woo Bonn at arms conference

BY DAVID MARSH, RECENTLY IN EAST BERLIN

EAST GERMANY has invited leading West German politicians to a disarmament conference in East Berlin in June to try to win support for a central European zone free of nuclear arms.

Officials say they realise it will be "tricky" for Bonn politicians to come to East Berlin for such a conference, but underline that they want "high ranking representation" at the meeting, billed as an effort to *bring together disarmament experts* from East and West.

The conference will discuss general prospects for international nuclear-free zones, but will also give particular emphasis to proposals from Mr Erich Honecker, the East German leader, for establishing a nuclear-free corridor straddling the two Germanys.

The West German opposition Social Democratic party has backed Mr Honecker's ideas. However, the notion of establishing nuclear-free areas is firmly rejected by the Christian Democrat-led coalition in Bonn, as well as by other leading Nato governments. Not surprisingly, Chancellor Helmut Kohl, who received an invitation at the weekend, last night said he would not be going.

In a letter sent to Mr Honecker last month, Mr Kohl rejected ideas for further nuclear disarmament in Europe beyond the scrapping of intermediate-range nuclear missiles agreed by the US and the Soviet Union last December. None the less, he and large parts of the ruling parties in Bonn are reticent about modernising short-range US Lance missiles in the Federal Republic which the Pentagon wants to renew with updated weapons during the 1990s.

Legal loopholes allow widespread copying of computer programmes, writes **John Wyles**

Software pirates find Italy's law has no byte

WHENEVER he had committed some outrageous act and was asked what would *happen* if everyone did the same, Yossarian, Joseph Heller's hero in *Catch 22* replied: "Well, I *would* be crazy not to, wouldn't I." Questionable and sometimes illegal *practices abound in Italy* on the same basis, legitimised by custom and practice.

Piracy of computer software is one example causing considerable anguish to software manufacturers such as Lotus, Microsoft and Ashton Tate, which between them have more than 25 per cent of the Italian market, and to leading wholesalers such as Editrice Italiana Software (EIS). Unlike *France, the UK* and the Netherlands, Italy has no specific law which prohibits the *copying of software packages,* so enterprising (or unscrupulous, depending on your point of view) *Italians are making hay.*

The figures speak for themselves. In France, for example, around 400,000 personal computers were delivered to private and business users last year and in Italy, 300,000. The French software market accounted for 300,000 products worth $279.7m while Italy purchased only 100,350 worth $117.2m.

It would be beguiling, but wrong, to assume that Italy's personal computers are largely dedicated to games. Banks, industrial companies large and small and retailing chains are increasingly bathing in electronics. Many are also, it is widely suspected, buy*ing only a portion of their soft*ware requirements and copying the rest. According to the manufacturers, actual sales of some products are only about a fifth of real consumption.

Mr Giancarlo Abate-Daga, managing director of EIS, says many Italian businessmen and private users regard computer hardware as the real tool and think of the software as an incidental, though essential, adjunct. Little or no *thought is being given to the* shackles being imposed on the development of a domestic software *industry* by *artificially* depressed revenues.

Who are the principal offenders? *Private users exchanging* copies of their software are not peculiar to Italy. Rather more so are the software dealers who will throw in a pirated product to clinch a personal computer sale or who seek a national market for their copied products by advertising in the trade press. Microsoft discovered one dealer in Monza who was selling five times as many copies *of one of its* packages than he had purchased.

But dealers and private users can by no means account for the huge software undersell in Italy. After monitoring their sales, the major manufacturers are convinced that some large compa*nies are buying only one or two* versions of expensive packages and then copying them, together with the users' handbooks for general use on office personal computers.

In some cases, where the purchaser is entitled to refer to the software manufacturer direct if he is having problems in using the package, companies are nominating one employee through whom all operating problems are *channelled.* One *of the largest* companies in Italy has copied an IBM handbook and put its own logo *on the front cover.* "Multinationals work by the book and buy all of their software, but other *companies* may turn a blind eye when their employees make copies or arrogantly encourage them to do so," claims Mr Abate-Daga.

A small Financial Times survey of some key Italian companies failed to throw up any confessions of wrongdoing. Fiat said that it develops most of its own software and purchases the rest, *but definitely does not copy.* Montedison has an in-house company, Sime, supplying half its software needs and buys in the other half. Ansaldo says that it only permits copying when a product remains useful to the company but has lost its market value by *being overtaken* by a more advanced one.

Some companies have noticed that there is a legal restraint following an appeal court ruling of March 1986 which applied copyright law to software manuals. Some judges are now applying this to protect software products themselves but, as Mr Abate-Daga says, *obtaining proof of* wrongdoing in the corporate sector is very difficult.

Central government has also been wrestling with the problem for some time. The Italian Prime Minister's advisory council on informatics has drafted a proposed law to outlaw software piracy, but political crises and superior priorities are guaranteeing a long gestation period before it is put to parliament.

So unless the manufacturers themselves track down offenders and put them in the judicial firing line, individual Italians, be they *corporate* managers or home computer buffs, are still likely to believe, as Yossarian would, that it is mad for them to stop copying software

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Panama claims progress over banking crisis

BY DAVID GARDNER IN PANAMA CITY

PANAMANIAN officials believe they are close to resolving at least one aspect of the dollar shortage caused by government insolvency and the US financial-sanctions strategy aimed at ousting military leader General Manuel Antonio Noriega.

Negotiations are far advanced for the Andean Reserve Fund, a multilateral agency tied to the Andean Pact trading community, in effect to act as a front for the Banco Nacional de Panama and enable it to resume some of its functions as Panama's clearing bank, Panamanian officials say.

The pact comprises Venezuela, Colombia, Ecuador, Peru and Bolivia.

Private economists and commercial bankers linked to Panama's right-wing opposition are also deep in negotiations with the US Administration on a major economic package to refloat the ruined Panamanian economy, to come into operation only if Gen Noriega steps down as commander of the 15,000-strong Panama Defence Forces.

Panama's 125 banks have been closed since March 4, when BNP announced it could no longer supply them with dollars because of the freeze on its liquid assets, and on government revenues, in the US. The Government has been financially throttled, reduced to operating on a minimal daily cash-flow basis, while the economy is operating at barely a third of its capacity because of the shortage of dollars, Panama's currency.

Attempts to persuade large commercial banks to take on BNP's clearing functions have foundered on bankers' conviction that a solution to the crisis requires Gen Noriega's departure, and because under the sanctions the US could take reprisals against any bank with branches within its jurisdiction.

BNP has thus been unable to get any bank to act as a correspondent in order to extricate monies it has on deposit in Europe and the Caribbean, amounting to an estimated $30m-$35m.

Agreement with the Andean Reserve Fund – which would be unprecedented given that Panama is not a member of the Andean economic and trade grouping – would resolve this problem.

However, for the Andean Fund to go on from there to act as a clearing house – which would liquidise some $22m in Government cheques blocked in Panamanian banks – the separate issue of what one minister describes as "a secure supply of funds" would have to be resolved.

It does not look as though it can be while the crisis continues. The Government last week more than halved its tax revenue estimates for this year and is currently taking in $37m-$40m a month, a good deal of it in uncashable cheques.

Because of this perception that Gen Noriega's position is ultimately untenable, the opposition three weeks ago started negotiations with the US Treasury on a $608m emergency package.

Narrow Conservative Party win in Manitoba

By David Owen in Toronto

THE Manitoba Conservatives under Mr Gary Filmon won a narrower-than-expected victory in this week's provincial election.

The Conservatives won 25 seats and 38 per cent of the vote, against 20 seats and 36 per cent for Ms Sharon Carstairs's Liberals.

The left-of-centre New Democratic Party, which formed the previous government, was left languishing in third place with 12 seats and 24 per cent. None of Canada's 10 provinces is now under NDP stewardship.

The result will be of most encouragement to the Liberals, who held just one seat in the legislature prior to dissolution. The federal Liberal party in Ottawa boasts only two western Canadian MPs. The party will clearly be hoping that this week's result prefigures a similar groundswell of support at the federal level.

As the leader of the party with the most seats, Mr Filmon will almost certainly be asked to form a government.

However, should the Liberals and NDP team up to defeat the Tories on a vote of confidence, Ms Carstairs could effectively be the next premier.

Deborah Hargreaves reports on the revival of smokestack America

US rustbelt polishes its image

THE silhouetted blast furnaces that scar the north-west Indiana skyline leave no doubt that Gary, Indiana (its primary takes place on May 3), and its environs lie at the heart of the US rustbelt. But as the belching smoke from five steel plants fills the air with a smell of sulphur and dusts its grime over City Hall's Grecian pillars, Gary is at the centre of a rustbelt revival.

Smokestack America is in the process of regeneration, prompted by a lower dollar and a turnaround in the steel industry. And Gary, which was threatened with industrial dereliction only eight years ago, is slowly picking itself off the ground, and looking to the future.

With an unemployment rate of 26 per cent in 1982, this Midwest town was in real danger of becoming a ghost town. As the steel industry went through its restructuring, almost 10 per cent of Gary's tough, steel-working residents - among the highest paid industrial workers in the world in their heyday - left the city in search of work.

Much of Gary's recovery is being built on the biggest steel industry boom since the 1970s - US steel shipments rose to 76.5m tons last year, the highest level for six years. Much of the industry's investment is concentrated in the Gary area, which now accounts for 30 per cent of the nation's steel output, and Gary's economic prospects are looking up.

The recovery of steel has attracted a host of smaller service-related businesses to the area, bringing Gary's unemployment rate down to about eight per cent - although it is still above the nation's 5 per cent average.

Ironically, it is a British property company, fresh from its experience in the Midlands, that has attracted an array of small companies to Gary's sulphurous streets. Capital and Regional Properties started a trend in the area for recycling empty industrial plant when it bought into Gary in 1984. "We saw a tremendous amount of resurgent demand in northwest Indiana, primarily due to the rebirth in the metals industry, and realised it was underserved," says Mr John Gates, the company's Chicago-based partner.

Gary, Indiana, has tried to diversify. In the last two years, five new steel companies have been enticed into the area. But its image in the country has required a hard sell by the city fathers

Since 1984, 58 steel-related businesses have moved to Gary, 17 of them to CRP's Great Lakes Industrial Center. These industrial properties, which litter northwest Indiana, would cost close to $100m to build today, but low-cost "rehabbing" provides small steel-finishing or service companies with a base close to the major mills and Gary's traditionally strong transport links with the heartland, at a fraction of that cost.

Many of the small entrepreneurial companies attracted to Gary are eager to use a pool of labour which learned its skills in the steel industry. "The area is just loaded with good workers," says Mr Joe Hish, who runs Indiana Steel Corp, a steel plate-finishing company. Almost three-quarters of his 250-strong workforce were laid-off steelworkers, although some of those have been taken on again as the mills have picked up business.

USX has recalled some 2,000 workers it had laid off, after modernising its showpiece plant at Gary at a cost of $300m. The Gary plant is now operating at close to 100 per cent capacity - a substantial rise from the company's overall capacity utilisation rate of 47 per cent in 1983.

At the same time Gary, licking the wounds of the last steel recession, has tried to diversify and build a base not dependent on one industry. In the last two years, five new non-steel companies have been enticed into the area, including a Japanese car exhaust maker. But Gary's image in the rest of the country has meant a hard sell for the city fathers.

Local developers are trying to emphasise the area's positive aspects and stress that, while its streets may be grimy, Gary is only a 10-minute drive from the Indiana Dunes State Park, where rolling dunes are sandwiched incongruously between Bethlehem Steel's Burns Harbor plant and the Michigan City municipal power station.

"To the operations people, who deal with the bottom lines, Gary is an easy sell," comments Mr Gates. "It's in the boardroom where you can run into opposition."

In the best traditions of George F. Babbitt, Sinclair Lewis's fictional real estate developer, Gary's businessmen are working hard to boost the city's image and entice new, diversified business to the region.

In an effort to make the most of the region's lakefront, the developers have built a trim yachting marina in neighbouring Hammond, where the breezy clapboard clubhouse elbows Inland Steel's integrated plant. They are now lobbying to develop Gary's folksy airport

Disposable incomes in US increase by 0.6%

By Anthony Harris in Washington

THE RISE in consumer prices in the US in March squeezed both real spending and saving, according to the first estimate from the Department of Commerce published yesterday.

Disposable incomes rose by 0.6 per cent, in line with recent growth, but consumer prices, which were stable in February, rose by 0.5 per cent.

Real consumption rose only 0.2 per cent, and there was an estimated $3.3bn fall in cash saving.

The figures also show that demand switched sharply from cars to the depressed non-durables market.

Wage increases are still lagging prices, but labour market figures show some upward drift in settlements.

Over the last four quarters settlements have offered an average increase of 2.4 per cent in wages in the first year of a new contract, up from 1.2 per cent a year ago, and 2.2 per cent over the life of a contract (just under three years), up from 1.8 per cent.

Non-wage benefits are growing more strongly; the index for total compensation is 4.1 per cent up on the last year.

Protectionist lobby wins key Brazil congress vote

BY IVO DAWNAY IN RIO DE JANEIRO

A COALITION of nationalists in the Brazilian congress has inflicted a crushing blow on efforts by the centre-right to guarantee foreign companies' rights.

Amid jubilant shouts of "Brazil, Brazil," congress's electronic voting board revealed late on Tuesday that the nationalists had defeated the Sentrao, or Big Centre grouping, by 279 to 218.

Had they won over just one more congressman, the traditionalists would have had a clear majority, allowing them to impose their own voting agenda, including clauses outlawing mineral exploration and oil risk contracting by foreign companies.

In fact, the likelihood is that compromise wording will be found that will command a majority.

Nevertheless, minerals companies believe there is now a real possibility the new constitution could restrict them to taking only minority shareholdings in exploration activities. This is despite a powerful lobby by oil distribution companies which is thought certain to have preserved that sector for foreign activity.

Furthermore, the wording proposed by the Sentrao gives legislators an opening for future restrictions on foreign capital.

What has alarmed those seeking to reduce protectionism in Brazil is the sheer scale of the Sentrao's defeat.

Analysts of the nationalist camp identified not only the predictable left-wing parties but also such groups as the powerful evangelical Christian movement usually identified with the right.

It is now clear that many of Brazil's biggest companies are prepared to influence the Constitutional Assembly to ensure that restraints are put on potential competitors from abroad.

This revelation will come as a blow to President Jose Sarney who has recently expressed support for a closer integration of the Brazilian economy with the world market.

US Supreme Court conservatives flex their muscles

Lionel Barber reports on a decision to reconsider a key racial rights ruling

THE SPECTRE of an activist conservative majority on the US Supreme Court resurfaced this week in the nation's capital.

In an unusual but not unprecedented step, the court ruled 5-4 to reconsider a key 1976 ruling which gave blacks and other minorities the right to sue private parties on the basis of racial discrimination.

It was the first time the five acknowledged conservative justices had joined ranks on an important case since President Reagan's latest nominee, Judge Anthony Kennedy, took his place on the bench last February. Bitterly disputed among the justices themselves, the decision caused an uproar among civil rights groups and liberals.

If the court decides to overrule the 1976 ruling in a later hearing this autumn, it would amount to a landmark retrenchment, overturning a major precedent expanding the rights of racial minorities.

More significant perhaps is the signal which Monday's ruling sends about the direction of the court and its new built-in conservative majority.

Last year, liberal activists celebrated what they thought was a famous victory in securing the defeat of President Reagan's nominee to the court, Judge Robert Bork, in a Senate confirmation battle. Judge Bork was painted as the judicial conservative activist par excellence, a man whose intellectual power would inevitably wrench the court into the conservative camp.

Yet, as judicial scholars pointed out, Mr Bork, as Solicitor General in 1976, filed a brief on the side of the victorious black plaintiffs in the original case of Runyon v McCrary (which expanded a post Civil War ruling banning racial discrimination on all private contracts).

Mr Reagan has had the fortune to nominate three conservative-leaning justices – Judge Kennedy, Judge Sandra Day O'Connor and Judge Antonin Scalia – during his presidency.

Together with Justice Byron White and the Chief Justice William Rehnquist, they make up a quintet capable of outvoting the ageing liberal rump which used to dominate the court, particularly on social issues.

A reminder that the court is willing to reconsider what appeared to be entrenched law appeared in a separate case this week concerning the 1978 Ethics in Government Act.

Congress passed the act as a result of the Watergate scandal when President Richard Nixon fired a special prosecutor investigating law-breaking in his Administration. The act removed the office from the Justice Department and established its independence by handing prosecutorial power to court-appointed officials.

But the Reagan Administration argues that the act strips the President of the purely executive function of criminal prosecution and therefore violates the separation of powers required by the US Constitution.

By seeking to challenge the act, the Administration is not only putting pressure on its conservative court to deliver in its favour; the outcome of the case could also affect the conviction of two former senior White House aides, Mr Michael Deaver and Mr Lyn Nofziger, on charges of ethical violation.

Rabin blames Syria for infiltration

By Andrew Whitley in Jerusalem

PALESTINIAN gunmen succeeded in penetrating Israel's northern border defences for the second consecutive day, as Defence Minister Yitzhak Rabin blamed Syria for the recent surge in cross-border attacks.

The recent reconciliation between Syria and the Palestine Liberation Organisation will lead to support for an escalation of the uprising in the Israeli-occupied territories, Palestinian officials said in Damascus on Tuesday.

According to preliminary reports, two heavily armed gunmen were intercepted and killed yesterday by an army unit about a mile and a half inside Israel, in a finger of land surrounded by Syrian territory. Their deaths brought to five the number of border raiders killed in just over 24 hours.

An Israeli battalion commander, a lieutenant-colonel – the highest ranking soldier to be killed in combat since the end of the Lebanon War, in 1985 – was one of two Israeli fatalities on Tuesday. But, yesterday, the only Israeli casualty reported was a civilian whose truck was attacked as he drove along a border road, in the Har Dov region of the Israeli-annexed Golan Heights.

In a speech to a visiting US delegation, Mr Rabin said that the three groups who had recently tried to infiltrate into Israel were "linked to a pro-Syrian terrorist organisation which enjoys Syrian freedom of manoeuvre". He also emphasised the same point in an interview with Israel Television.

Hundreds of Israeli civilians living in border kibbutzim – rural collectives – were ordered to take refuge in bomb shelters, as a large-scale search of the hilly, heavily wooded district got underway. Fears that the latest infiltrators were part of the same group involved in Tuesday's clash led to suspicions that others may have escaped.

In a separate incident, in the West Bank a 15-year-old Palestinian girl died yesterday after being shot in the head by troops during a demonstration the previous day in her village, Kufr al-Deek, near Nablus.

Maggie Ford reports on an election which lays the basis for democratic change within a two party system

Seoul surrenders a share of its political power

ONE year ago, visitors wishing to see Mr Kim Dae Jung, the South Korean politician, had to penetrate rows of riot police surrounding his home. Only foreign journalists were allowed to meet the opposition leader while he was under house arrest and all other communications, except those on his bugged telephone, were banned.

Yesterday, the same man became the leader of the largest opposition party in a national assembly where the ruling party has lost its majority for the first time. The man widely blamed for the failure of the opposition to win the presidential election last December has risen again from the ashes, his support intact.

Mr Kim Dae Jong is not the only South Korean politician who can look forward to a new future under the promise of a new democratic climate. For the new National Assembly will also contain two other Kims long associated with Korean politics.

Mr Kim Young Sam, leader of the Reunification Democratic Party, was himself elected, although his party was reduced to second place in the opposition strength. Mr Kim Jong Pil, prime minister under the military regime of the late president Park Chung Hee, assassinated in 1979, was also elected along with a number of his colleagues and will lead the third largest opposition party.

Left to right, the three Kims: Kim Dae Jung, leader of the largest opposition party, Kim Young Sam and Kim Jong Pil.

The election result represents a stunning blow to the ruling Democratic Party, which is now faced with a key challenge: to allow the National Assembly to function as a true legislative body for the first time. If the Government wishes, as it claims, to be seen as democratic, it is difficult to see how it can ignore the challenge.

For years, South Korea's rulers have made a pretence of having democratic institutions, including a parliament, a functioning legal system and a free press. But the institutions have functioned in name only. National Assemby members, including many in the ruling party, have had no power to debate, change, or defeat government legislation.

Bills have been passed by rubber stamp or by expedients such as locking out the opposition in the middle of the night. Most party members have been appointed by party leaders in return for favours or donations and have little serious political experience, because real politics have not been allowed.

Tuesday's election result is expected to change the system in a number of ways. First, the removal of the Government's majority will force the parties, especially the ruling DJP, to negotiate with the opposition over key legislation to avoid public defeat on key bills.

Second, the presence of the three Kims, plus a large number of new younger politicians of all parties, will substantially raise the level of debate and the status of the parliament, making it very difficult for the Government to ignore its views.

Third, under the new constitution passed last year after massive street demonstrations pushing for democratic change, the National Assembly is equipped with investigative powers and cannot be dissolved by the president.

President Roh yesterday to reacted to the ruling party's failure with disappointment, but signalled his willingness to accept the result. It could, he said, expedite the process of political maturity. "Willingness to engage in dialogue and negotiation has become even more important if the administration and the ruling party are to carry out their policies smoothly, even without having become a stable force in the assembly," he said.

The election result itself may mark the first step on the road by the ruling pary towards a sincere commitment to change. Few people in South Korea believed on Monday that the DJP would allow themselves to lose control of the assembly and allegations of unfairness in the election were widely aired, as they were in the presidential election last December.

By yesterday the claims were muted and students who had readied themselves for protests had dispersed. But uncertainty reigned, as people realised that their views had apparently been respected, perhaps for the first time. What, they worried, had they done?

On reflection, however, many seemed to feel that the election result was probably appropriate to a country in transition, pointing to a number of problems where action is needed. Although it shows a strong strain of regional feeling, accounting for the strong showing of Mr Kim Dae Jung's party, this reflects rather the economic and social deprivation of a section of the population from the Cholla area, a result of years of military rule.

The poor showing of Mr Kim Young Sam's party reflects the low turnout by middle class voters disillusioned with politics after the presidential poll, but also follows his failure to produce clear policies differentiating his party from the moderate wing of the ruling DJP. This politician has not established a clear conservative democratic policy.

The good result for Mr Kim Jong's party derives from regional backing and support from the older generation, but alos points to the respect Mr Kim commands as both a power broker and as a liberal within a previous authoritarian regime. His role may be crucial in the new assembly.

This week's election is remarkable for two reasons - the apparent willingness of the ruling party to surrender some of its power and the appearance of a political structure containing the basis for a European-style two party system.

Africa child health care revitalised by regional aid strategy

IN EUROPE the advertisers euphemistically call it "upset tummy;" it is more embarrasing than harmful, it lasts a day or two, and it rarely leads to much more than amusing holiday anecdotes. In sub-Saharan Africa, there is no room for euphemism or anecdote; diarrhoea and resulting dehydration can kill a child within hours. More than 1m children on the continent die of diarrhoea every year.

Nicholas Woodsworth in Abidjan on a fight against scepticism and lack of cash

The tragedy is that most of these children could be saved by the simplest of techniques; oral administrations of a simple mixture of salt and sugar in a water solution is highly effective in combatting diarrhoea-induced dehydration. Known as oral rehydration therapy (ORT), it costs only pennies and can be used by mothers at home. Yet the children keep on dying.

In terms of widespread and efficient public health systems many parts of Africa are still in the middle ages. The raging African Aids epidemic is only the latest threat. Measles, diphtheria, neonatal tetanus, whooping cough, polio, and tuberculosis remain widespread child-killers. Even malaria, which in adults causes recurrent febrile attacks, is a major cause of death among children.

Public health in Africa has, since the period of independence, been at the bottom of the list of government funding priorities. This is not because Africans are any less horrified at seeing their children die than Westerners, but because the public money necessary to finance health programmes is simply not there. In the extreme case of Ghana, for example, there were 21,000 doctors at independence. Twenty years later, there were only 6,000.

Under IMF and World Bank conditional lending policy most available development funds in Africa have gone not to health and education but to projects in infrastructure, agriculture, or industry – programmes deemed productive.

The continent has consequently relied heavily on the technology, equipment, organisational knowledge and money of public and private Western aid agencies. The World Health Organisation (WHO), Unicef, and Medecins sans Frontiers are only three of the better known.

In 1981 WHO saw the need for a specifically-designed African health programme called Combating Communicable Childhood Diseases. Triple-C-D, as it came to be known, was funded by a $93m grant from the US Agency for International Development (Aid), and administered by the same body.

Perhaps the biggest reason for the degree of progress Triple-C-D has made is to be found in the personnel chosen to design and implement the programme. These are the researchers, epidemiologists, and public health specialists who have been seconded to the project from the Atlanta-based Center for Disease Control (CDC), one of the best performing public health organisations in the world.

Triple-C-D operates in 13 countries in West, Central, and Southern Africa. A CDC country project officer is attached to the ministries of health in these countries. The officer uses ministry employees and ministry regional and local networks to implement child disease programmes which are worked out with local authorities.

Triple-C-D has three areas of intervention: disease immunisation, oral rehydration therapy, and malaria control. So great are the numbers involved and so lacking are the basic structures to deal with them that it has also undertaken four supporting programmes: training of qualified personnel, mass health education, operational research, and the building of statistical information systems. Each is a vital back-up if Triple-C-D's preventitive approach to health for the masses is to succeed.

In general Triple-C-D's immunisation programme, in co-ordination with Unicef's, has been its most successful. When it began vaccinating, no country had more than 20% of its children fully immunised.

The Ivory Coast rate is now 60% while in the city of Brazzaville it is 80%. There is little room for complacency, however. Continent-wide, the figure rests at only 10%.

In the long run Triple-C-D is faced with breaking a vicious circle. It must revitalise the population's belief and participation in public health, sorely lacking in the past.

Triple-C-D is now searching for ways to elicit financial participation from beneficiaries of public health without denying it to the poorest Africans who need it most. This, and changing understandably sceptical attitudes to public health, remain Triple-C-D's greatest challenge.

Andrew Gowers on a move with implications for the Gulf and OPEC

Saudi loses patience with Iran

AFTER NINE months of bad blood and recriminations between Tehran and Riyadh, King Fahd of Saudi Arabia signalled on Tuesday night that his patience with Iran had finally snapped by severing relations and giving the 20 or so Iranian diplomats and dependents in the Saudi capital a week to get out.

By the standards of normally passive and cautious Saudi foreign policy, it was an uncharacteristically drastic step.

Ever since the 1979 Iranian revolution, the Kingdom's rulers have shown considerable restraint in dealing with a stream of abusive threats and attempts at subversion emanating from Tehran. However much they have aligned themselves with Iraq in the Gulf war, they are well aware of their own relative weakness and of the need for peaceful co-existence with a country that will always have the potential to be the regional superpower, with a population almost double that of all the other Gulf states put together.

Indeed, for a while in the mid-1980s, relations between the two countries that had in the days of the Shah been seen by the US as the "twin pillars" of Gulf security seemed to have settled into a more stable pattern. There were ministerial visits by both sides, and the Saudis offset their financial support for Iraq by supplying refined petroleum products to Iran.

There was considerable co-operation between the two oil powers within the Organisation of Petroleum Exporting Countries (OPEC), too; a consensus between Saudi Arabia and Iran in the latter half of 1986 was largely responsible for Opec's agreement to cut production in support of an oil price of $18 a barrel. Clearly this week's break in relations will make such co-operation more difficult, though it will probably not be destroyed altogether.

King Fahd: a drastic step

The atmosphere was transformed by last July's riots during the hajj (the Moslem pilgrimage) in Mecca, in which 402 people – 275 of them Iranian – were killed and about 600 wounded when Iranian pilgrims clashed with Saudi security forces. An Iranian crowd subsequently ransacked the Saudi embassy in Tehran, resulting in the death of one Saudi diplomat.

But even then, the Saudi Government showed signs of reluctance to take the ultimate step of unilaterally cutting relations.

Why has Riyadh this week changed its mind? The official answer gives a number of specific grounds for frustration. They include Iranian attacks on Saudi ships, which have been a cause for increasing concern to the Saudis since Kuwaiti tankers – previously a favourite Iranian target – have been taken under US protection. Last November and again in January, the Saudis themselves are understood to have asked for similar help from the US, Britain and France, though the requests were turned down.

But the main explanation for the move is almost certainly connected with this year's hajj. The Saudis, whose resources are in any case stretched to the limit by the annual influx of 2m pilgrims, have become obsessed with the need to avoid a repetition of last year's bloodshed, and have repeatedly made clear they will not tolerate demonstrations. At a meeting in Amman several weeks ago, foreign ministers from the Islamic Conference Organisation backed a Saudi scheme to set national "pilgrim quotas" of 1,000 pilgrims for every 1m inhabitants – a move clearly aimed at Iran, which has in the past sent up to 160,000, by far the largest national contingent.

In turn, Ayatollah Ruhollah Khomeini has made clear that Iran fully intends to send its customary number, and as in previous years to stage demonstrations against "infidels" – meaning the US, Israel and Saudi Arabia.

In private talks over the last few weeks, the Saudis have been trying without success to persuade Iranian officials to accept a lower figure of 45,000 or so. To press their demands, the Iranians are suspected of having masterminded a series of bombings aimed at offices of the Saudi national airline Saudia in foreign capitals and at oil and petrochemical installations within the Kingdom.

The Saudis therefore probably felt they had no alternative but to sever ties. The move will make it easier for them to refuse visas to Iranian pilgrims and more difficult for the Iranians to smuggle weapons into Saudi Arabia to disrupt the hajj. It will also eliminate threats to Saudi diplomats in Tehran (who have in any case been removed because of Iraqi missile attacks) in the event of further attacks.

But the break in relations also carries significant risks. Iran may now feel moved to step up its assault on Saudi interests and those of other Gulf states perceived as supporting Iraq and the US. To guard their reputation as custodians of the Moslem holy places, the Saudis may not be able completely to exclude Iranians from the hajj. And in the long term, it remains as true as ever that Saudi Arabia simply cannot afford not to be on speaking terms with its powerful northern neighbour.

Asian Development Bank meeting begins

BY RICHARD GOURLAY IN MANILA

THE build-up to the Asian Development Bank's annual meeting, which begins today in Manila, has been dominated by political developments between China and Taiwan and Soviet interest in becoming a member of the organisation.

The governments of the People's Republic of China and Taiwan are meeting for the first time in the same international forum since 1950, when the Nationalist Chinese fled from the communists to Formosa, as it was then called.

Taiwan boycotted the two previous annual meetings because the ADB changed its name to Taipei, China, when Peking joined the bank in 1986.

Taiwan is continuing to protest against the change in name and denies its return has anything to do with thawing relations between Taipei and Peking, Mr Si-Fang Chen, a Foreign Ministry spokesman said. Last year there were signs of a more pragmatic relationship when Taiwan allowed its nationals to visit China.

However, he hinted that the return was part of a "step-by-step" effort by Taiwan to rejoin the United Nations, from which it was expelled in 1971 when China was admitted. Taiwan would then be able to join special UN agencies such as the International Monetary Fund and World Bank to which it feels it should belong. "These organisations cannot ignore such an economic power as Taiwan," the spokesman said.

For the second year running, the Soviet Union has sent observers to the ADB meeting – this year three bankers – in line with its desire to become a donor member of the ADB. An early Soviet membership is unlikely because Moscow will not apply until it knows it will be accepted and the the bank's second largest shareholder, the US, strongly opposes its membership, diplomats say.

The Soviet Union's presence is more of a reminder to the region that Moscow is keen to broaden as yet relatively meagre economic ties with the region in line with a policy laid down by Mr Mikhail Gorbachev, the Soviet leader, in Vladivostok nearly two years ago. In particular, the Soviet Union wants to explore private sector joint ventures in the region using ADB co-financing arrangements, a Soviet diplomat said yesterday.

The operations of the ADB, as a multilateral development bank covering more than half of mankind, continue to cause concern for many of the bank's 47 member countries.

Liquidity has again risen, to $5.8bn at the end of 1987 from $4.0bn a year ago; the net flow of funds back to the bank has more than doubled from last year to $359m; and there are increasing signs of stagnation in demand for loans.

Furthermore, pre-payments from member borrowers leapt to $66m from $2.4m in 1986, while loan cancellations rose to $609m from $531m. The increasing access to international capital that some borrowers enjoy and the appreciation of the Japanese yen are largely behind this swing away from the ADB.

Following pressure on the management at last year's annual meeting, an external panel of international development experts is currently studying these chronic problems as part of a review of the ADB's role in Asia in the 1990s.

Reuter adds from Manila: A Soviet envoy said yesterday Moscow assumed US military bases in the Philippines stored nuclear weapons.

Delhi grants tax concessions for investment

By K.K. Sharma in New Delhi

THE INDIAN Government yesterday announced a number of tax concessions and incentives for fresh investment in "high priority" industries, thus bowing to business pressure that has been building up since the budget was on February 29.

The main incentive announced by Mr N.D. Tiwari, Minister of Finance, while moving the Finance Bill for consideration by the lower house of parliament is reintroduction of what is known as the "investment allowance" for certain industries in which the Government feels expansion of production capacity is necessary. The list of such industries is to be announced later.

The allowance, which permits exemption from income tax for part of certain expenditure on fresh industrial investments, was withdrawn a few years ago and replaced by a scheme under which companies could make deposits with the government-owned Industrial Development Bank of India.

This made the government-run financial institution responsible for investing the funds and industrialists have been demanding to be free to reinvest them in their own production capacities.

Mr Tiwari also announced a series of excise and customs concessions that will cost the exchequer Rs395m (£16m).

The Finance Minister has also exempted from income tax the foreign exchange earnings of hotels and tour operators provided part are reinvested in tourism promotion and creation of tourist facilites.

Donors pledge £270m for Mozambique emergency

BY VICTOR MALLET IN MAPUTO

FOREIGN DONORS from more than 80 governments and charities yesterday pledged $270m to cover Mozambique's emergency needs for 1988, covering most of the country's appeal for the year of $330m.

More money is likely to be pledged in the coming months. Most of the aid will go towards food and transport. In the past government officials have complained that although foreign commitments have been generous, they have concentrated on food handouts and largely ignored important projects aimed at restoring agriculture, water supplies and health services.

Yesterday the issue of possible assistance to the Mozambique army, fighting rebels of the Mozambique National Resistance (MNR), was again raised by donors. "There is a desperate need for military escort vehicles to protect convoys of relief goods," said Ms Rosie Fieth of the charity Oxfam.

The US, represented by Mr Roy Stacy, the deputy assistant secretary of state for African affairs, launched its most scathing verbal attack to date on the MNR.

Referring to a US-sponsored report on refugees which gave graphic details of rebel atrocities, Mr Stacy said the MNR was waging a war of terror, starvation, forced labour and wanton killing. "What has eemerged in Mozambique is one of the most brutal holocausts against ordinary human beings since World War Two," he said.

Maputo and Pretoria set to revive Nkomati accord

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA and Mozambique appear to be on the brink of a new top-level effort to breathe new life into the moribund Nkomati accord of March 1984. This follows a visit to Cape Town by Mr Jacinto Veloso, the Mozambican Minister for International Co-operation with a message from President Joaquim Chissano suggesting a meeting with President P.W. Botha.

The proposed meeting, the first since Mr Chissano became president after the death of the late President Samora Machel in an aircrash on South African soil in October 1986, follows years of disillusionment and mutual recrimination.

The Nkomati accord provided for the expulsion of African National Congress cadres from Mozambique in return for an undertaking from Pretoria to end its clandestine support for Mozambique National Resistence rebels and re-build normal political and economic relations.

Instead the civil war intensified. South Africa was accused of stepping up its clandestine support for the MNR while Pretoria accuses Maputo of still permitting the ANC to infiltrate into South Africa through neighbouring Swaziland.

The resumption of negotiations to re-activate the Cabora Bassa hydro-electric scheme marked the first stage of rapprochement six months ago. But the attempted murder of ANC veteran Albie Sachs by a car bomb earlier this month set relations back again.

Kabul car bomb kills six

A CAR bomb exploded along the Kabul River in the Afghan capital's Pamira district at lunchtime Wednesday, killing six people and injuring 49, Col Gen Saifullah of Kabul security said, agencies report from Kabul.

He said 27 of those injured were admitted to hospital and the dead included four men, one woman and a young girl.

The blast shattered windows in a two-square-block area. A Reuter correspondent reporting from Kabul said the bomb had been planted in a truck in a car park just south of the Kabul river, which runs through the heart of the old city.

The force of the blast blew the remains of the truck into the river, overturned other parked vehicles and damaged buildings over a wide area.

People who arrived shortly after the explosion said one of the injured was a woman standing on the opposite bank of the river when the bomb went off.

Only a few hundred yards away, thousands of shoppers and traders crowded the narrow alleys of Kabul's bazaar.

Curfew lifted on Amritsar

POLICE lifted the curfew in the Sikh holy city of Amritsar yesterday nine-and-a-half hours after it was imposed to head off violence during the funeral of a Hindu militant killed by Sikh separatists, Reuter reports from New Delhi.

The Press Trust of India said the curfew was lifted at 5.30 pm by police who had imposed it out of fear of reprisals by the Shiv Sena (God's Army) after one of its members was killed on Tuesday.

The Shiv Sena had called for a city-wide strike yesterday which some shops observed.

Extremists fighting for a separate state killed eight people in scattered violence across the north Indian state of Punjab yesterday. More than 730 people have been killed in extremist violence so far this year compared with 1,200 for the whole of 1987.

Japan's top companies mix old values with new when recruiting staff, reports Carla Rapoport in Tokyo

Laser videos and rock woo respectful Tokyo graduates

ON A RECENT cold and rainy morning, the Nakano Sun Plaza auditorium in Tokyo was jammed with young people waiting patiently for the show to begin.

Rock music poured through the auditorium's sound system while television camera crews cluttered the area in front of the stage. At 10 o'clock, a flourish of trumpets sounded and the curtains went up. The stars behind the curtains, however, were simply the top executives of Ito Yokado, one of Japan's leading store groups.

For the next several hours, the young people heard about the virtues of work. Despite the rock music, special guest appearances and laser videos, this was a serious orientation programme for this year's 2,200 recruits. The music may change from year to year, but ceremonies like these remain a crucial component of Japanese business life today.

Thanks to Japan's increasing wealth, many young Japanese seem more interested in leisure time and holidays than ever before. But at the Ito Yokado ceremony, and thousands others like it this month, young people continue to show only respectful interest in their new employers. Japanese companies are still strongly committed to keeping the work ethic alive.

And so far, at least, Japan's young workers show no sign of disappointing them. Unlike a similar group of young Americans or Europeans, these young Japanese sat without giggling or fidgeting throughout the long presentations.

To the foreigner, these Japanese events have the ring of indoctrination, or even militarism, as rows and rows of neatly-dressed young people jump up to sing the company song.

'Every store and restaurant can offer the same food and service. The difference between them is the attitude of the employees.

However, the average Japanese will have participated in scores of these kinds of ceremonies since early childhood. To him or her, they still have a great deal of meaning. Induction into one of Japan's leading companies is akin to a rite of passage, marking a student's "gradnation" into society. From the start, the company is anxious to foster a team spirit among its employees as well as a sense of class among the graduates of 1988.

These graduates will retain their links with each other for decades, across departments, even across countries, helping to knit together the huge parent company.

For Mr Masatoshi Ito, president of Ito Yokado, the ceremony gives him a chance to greet his new employees. Speaking first from a speech and later in conversation with a well-known TV personality, he told his new workers about the business philosophy which had made his group one of the most profitable retailers in Japan.

"Every store and restaurant can offer the same food and service. The difference between them is the attitude of the employees. We must cherish our customers," he said.

Other speakers were more frank about the new responsibilities of the workers. Mr Kagayaki Miyazaki, chairman of Asahi Chemical, said: "Now in Japan we have a my-home attitude. That is, many young people put their home before their work. But if you want to enjoy your life at home, your company should be prospering. If your company went bankrupt, you could never enjoy your life at home."

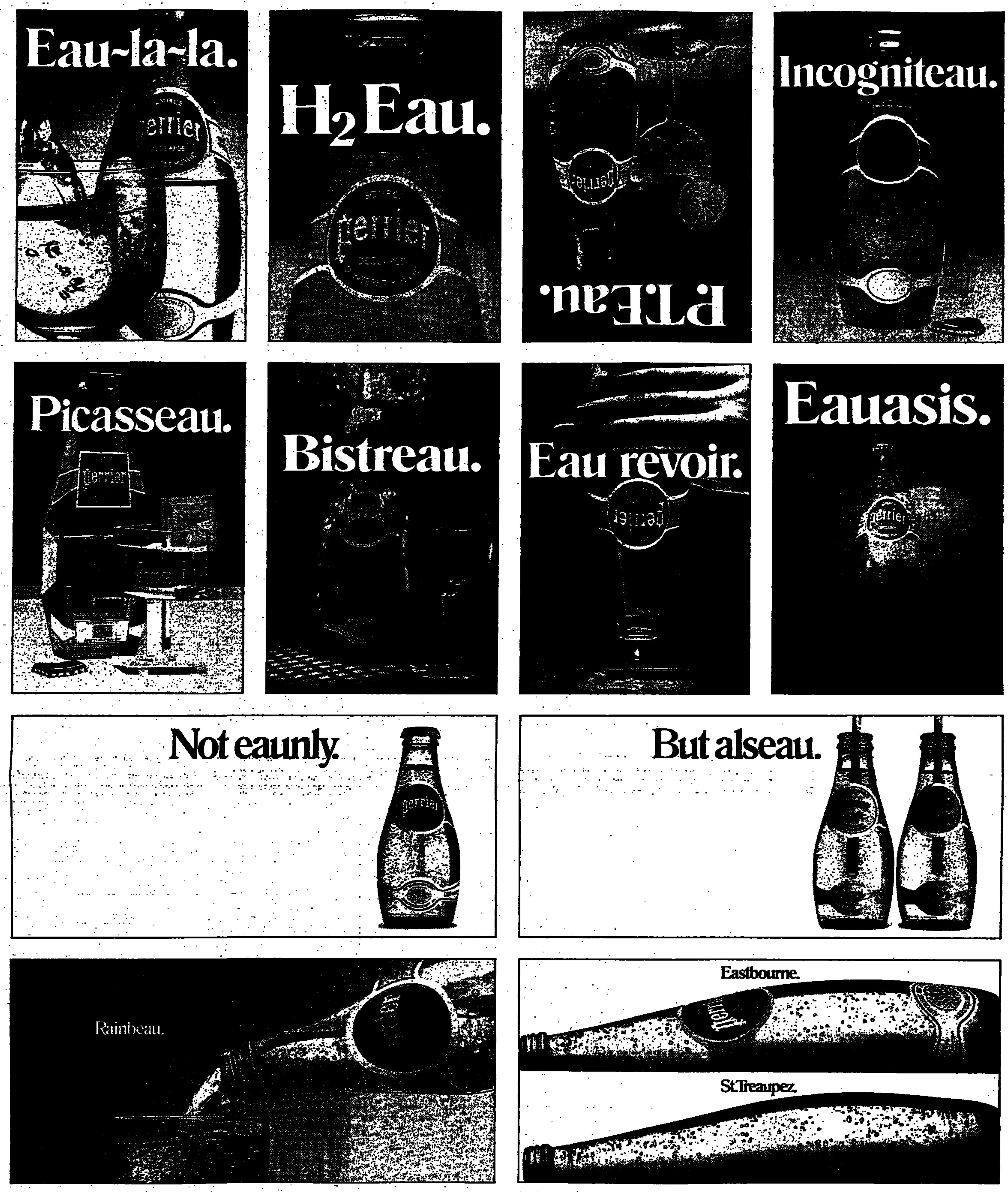
A Diet member, Mr Hyosuke Kujiraoka, echoed these sentiments, telling the new store clerks that money was not everything. "Everyone says Japan is now rich. We can buy whole hotels in Hawaii or castles in France. But if people came to Japan and bought Nagoya castle because they had money, we wouldn't like them. Japanese people may be admired as rich, but I wonder if we are respected."

Even a noted TV personality told the young people that he thought of others before himself. "For me, it's consideration to the audience, to the people I am interviewing and the workers before the cameras," he said.

At the end of the talks and videos about the company, the young people sang songs before filing out of the auditorium. At the door, they were each given gift-wrapped tins of cookies

Despite the popularity of the welcoming ceremonies for new recruits, some Japanese businessmen criticise it for being too much of a routine and for fostering conformity rather than creative thought.

Significantly, however, no word of protest about such events has yet been heard from Japan's young workers.


Eau-la-la.
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P.T.Eau.
Incogniteau.
Picasseau.
Bistreau.
Eau revoir.
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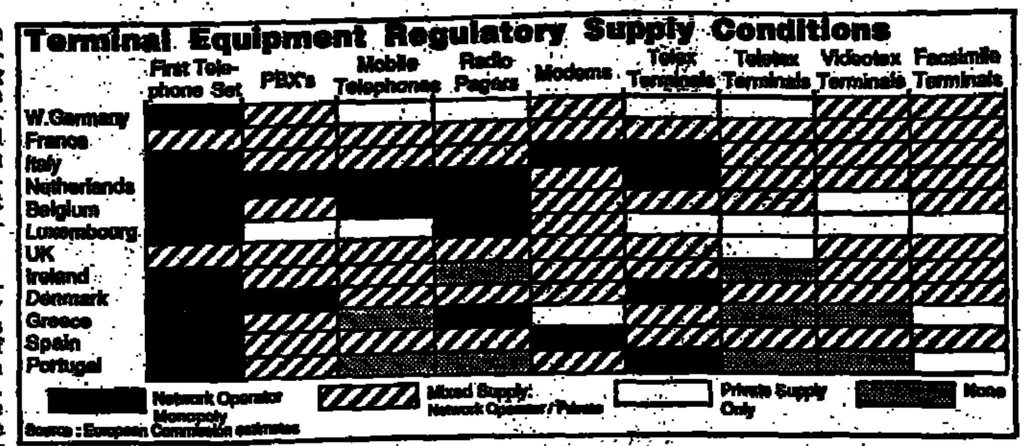
But alseau.
Rainbeau.
Eastbourne.
St.Treaupez.

William Dawkins on how the Community asserts its right to dismantle state monopolies

EC acts to liberalise telecommunications



MR PETER SUTHERLAND, the European Commissioner for competition policy, will this morning present the 12 EC ministers responsible for telecommunications with something that all agree they dearly need: firm plans to liberalise the Community's Ecu17.5bn (£11.5bn) market for telecommunications equipment.

But three governments – Britain, France and West Germany – will be deeply unhappy when the commissioner delivers what will be the final version of the hotly-debated proposals at a ministerial meeting in Berlin. They are anxious because the Brussels authorities plan to issue the directive without first going through the usual process of consulting ministers and Euro-MPs.

This means its provisions will take effect within the next few days, after Brussels has formally notified EC governments, rather than go through the usual months-long process of Community decision making.

It will also be the one of the few times the Commission has used its power – contained in Article 90 of the Treaty of Rome, the fount of EC law – to issue laws on its own initiative to force member governments to dismantle state-run monopolies. The article forbids public bodies from handing out exclusive rights to companies in a way that distorts competition. This is something which most post and telecommunications authorities (PTTs) – except until recently in the "liberalised" UK – have always done by giving monopolies over the supply of subscribers' equipment to their national champions.

It is also the first practical proposal to come from the Commission's overall plan for liberalising the sector, laid out in its telecommunications green paper published last June. The broad strategy of the paper is to set the conditions for a single EC-wide telecommunications system. That ranges from setting common standards for equipment such as mobile telephones or for the broad band communications networks of the future, to breaking down PTT's monopolies over the provision of equipment, as in this case, and services.

Nobody objects to the broad aim of the directive, or to the urgency of the need to allow European companies to compete freely across borders for a market that is growing at around 7 per cent annually. Consumers are pressing hard to be allowed free choice over the equipment they buy. Meanwhile, an increasing number of big international link-ups like the acquisition of ITT's European telecommunications equipment interests by Alcatel of France, the takeover of CGCT of France by Ericsson of Sweden or the merger of the telecommunications businesses of GEC and Plessey is already conspiring to break down the national preserves held by European PTTs.

Adding to the urgency is the growing interest being taken in the EC telecommunications market by non-European companies like AT&T, which would benefit from this directive just as much as their EC competitors and some fear more so.

But the three big member states, Britain France and West Germany, fear the Commission's chosen method of delivering this proposal could set an undesirable – worse, undemocratic – precedent. Some see it as the latest attempt by the combative Mr Sutherland to see how far he can push the competition rules of the Rome Treaty. "We all accept that a lot of the PTTs are getting away with murder. But even murderers deserve a trial before they get hanged," complained one diplomat.

Brussels, by contrast, thinks this would be a most desirable precedent and plans to repeat it before the end of the year with a directive, based on the same treaty article, to boost free competition in telecommunications services, a market worth Ecu 45bn and three times the size of terminal equipment as covered by today's directive.

The Commission adds that its only alternative would have been to take case-by-case legal action against telecommunications equipment monopolies, which would have been unwise in such a fast moving industry. "The message that we are trying to get over to the operators is that we mean business," responds a Commission official.

The doubting three do have the option to challenge the Commission's legal strategy in the European Court of Justice, though this would be hard to justify at a time when they have all made highly public commitments to the EC's grand plan for a barrier free Europe by 1992. A legal fight would be especially illogical for Britain, whose suppliers of terminal equipment feel best placed of all to break into new EC markets thanks to the skills they picked up in Europe's most liberal telecommunications industry.

Yet even if the Commission's strategy does go to plan, this does not mean that the monopolies which many PTTs exert over terminal equipment will crumble in the next few weeks or even months. The directive would phase in liberalisation in three steps from the middle of next year to the end of 1990, or by 1991 and 1992 for new Community members, Spain and Portugal.

Member states must start legislating by the middle of 1989 to allow the free supply of modems, PBX private exchanges and subscribers' second and subsequent telephones – representing roughly half of EC equipment sales. Next to go, by the end of 1989, are telex terminals, data transmission equipment, mobile telephones and satellite receivers, like home-mounted television satellite discs. The final phase, for national legislation to begin by the end of the following year, embraces subscribers' first telephone sets, the most sensitive area of the directive because it is the monopoly the least liberal PTTs cherish most. All but France and the UK reserve the supply of first telephones for national PTTs.

By liberalisation, the Commission means scrapping all exclusive rights for the import, distribution, maintenance and connection of the equipment listed. The only let-out allows PTTs to refuse connection when a piece of terminal equipment does not fit with the technical specifications used by the local network. This was introduced at French insistence following consultations with national experts.

If any EC governments do have worries on details of the proposal, they centre on a clause that would allow subscribers to break their equipment buying contracts with PTTs after giving a year's notice. West Germany and Italy fear this could leave their PTTs lumbered with piles of unwanted telephones and want more time so that they can fully amortise subscribers' equipment first. Apart from that, member states feel they have no option but to welcome the general strategy, even if the Commission's style rubs them up the wrong way.

Mulroney in Washington to back freer trade

By Nancy Dunne in Washington

MR Brian Mulroney, the Canadian Prime Minister, was yesterday due to brave the furore surrounding the US Trade Bill and appear before an unusual joint session of Congress to put the case for bilateral trade liberalisation.

Mr Mulroney was set to speak shortly after the Senate had scheduled its key vote on the Trade Bill. The Canada-US Free Trade Agreement, signed in January, would phase out many of the trade barriers

The pact has aroused little passion in Washington, but Senator Robert Byrd, the majority leader, has twice issued veiled warnings to the Reagan Administration that failure of the Trade Bill could jeopardise the FTA.

The Senate Finance Committee yesterday cancelled a morning meeting in which it was due to discuss the provisions of the FTA.

A Canadian Embassy official yesterday attributed the cancellation to time constraints, because senators were busy lobbying over the Trade Bill.

The White House, however, has attempted to keep the two trade issues apart.

A senior Administration official, briefing on the Prime Minister's visit, said the Administration still planned to submit the implementing legislation for the FTA after June 1 and that the White House expected the Democratic leadership to honour its commitment to vote on the agreement during this session of Congress.

"I do not expect expect action on the omnibus Trade Bill to have any effect on these plans . . I'm confident the Congress will recognise the overall benefits of the FTA and will approve the agreement," he said.

Haifa underground railway plan

BY ANDREW WHITLEY IN HAIFA

THE northern Israeli city of Haifa is to build the country's first large-scale underground railway system, at an estimated cost of $350m (£187m) to $400m. International tenders for the 14km line are expected to be issued later this year.

Mr Arie Gurel, Haifa's mayor, told the Financial Times that finance for the transportation system - which will be the largest development project in the country - would be mainly raised abroad by the contractor selected.

He said he hoped that government-backed export credits would be included in the package.

The concerns best placed to win the contract are two unnamed companies, one from France and the other from Switzerland, which are in competition for a smaller contract in Haifa. This is for the modernisation and reconstruction of an old 1.7km subway in the heart of the hilly port city.

A French consultancy, Veritas, is currently evaluating the rival bids for the smaller contract, which is valued at about $15m to $20m.

Compressed into a headland dominated by the bulk of Mount Carmel, Haifa has severe public transport problems. It also suffers from a heavy flow of through traffic forced by geography to pass through a heavily built-up coastal strip.

According to Mr Gurel, a master plan for the region also calls for a 25km northwards extension of Israel's coastal railroad, which now terminates just south of the city, to the town of Nahariya. This will be integrated into the urban underground system ringing Haifa.

Apart from the French and Swiss contenders for the initial project, interest has also been expressed by Spanish and West German companies.

The mayor said that two alternative forms of paying for the 14km line were under consideration.

The preferred option was to grant the contractor an operator's licence, from the proceeds of which it would repay itself. The alternative was for the contractor to provide a loan which the municipality would then repay from the system's income.

Concern grows over Chinese guarantors

BY COLINA MACDOUGALL IN LONDON

CONCERN is increasing among western bankers over the growing number of Chinese organisations now empowered to act as guarantor to foreign lenders.

At the last count, there were well over 100, most of which are relatively unknown and inexperienced in international finance. These include bodies like the new provincial and municipal international trust and investment corporations, whose purpose is mainly to help raise finance abroad.

These organisations, collectively known to foreigners as the ITICs, are proliferating throughout China as part of the expanding reform policy.

The major ITICs of the coastal provinces such as Guangdong are becoming known internationally, and some (including Guangdong's) have even issued bonds abroad. The problem for bankers is that few of the newer organisations in China's interior publish balance sheets, or more than the flimsiest information about themselves.

"When China first opened up in 1978, we looked only to the Bank of China (Peking's trade bank) for guarantees," said a leading London banker. "Then, the first and biggest ITIC, the China International Trust and Investment Corporation [CITIC], published a balance sheet and profit and loss account.

"Western bankers then began to feel they could lend on CITIC's guarantee. But now there are dozens more organisations offering this facility that we have reliable balance sheets for."

Western banks are cautiously accepting some of these new names on limited projects, but Western governments are likely to be much more careful.

"China should look at the experience of other countries like Japan and West Germany, which rebuilt their economies on the basis of strong central control and support for the financial system," said another banker. "South Korea too meets its foreign exchange needs quickly and cheaply through a centralised system."

Chinese officials are not unaware of foreign concern. They have recently set up a debt management office and the financial authorities have called for registration at a central point of foreign debt.

However, the stock responses to foreigners' queries on creditworthiness are often either that there is nothing to worry about or that the foreigners must make up their own minds.

But without adequate facts and figures, the western banks are in a quandary about how best to do so. The end result is delay in launching much-needed development projects.

Moscow plans to double Brazilian trade

BY IVO DAWNAY IN RIO DE JANEIRO

THE SOVIET UNION has launched a drive to increase its trade with Brazil aimed at doubling business between the two countries and narrowing its substantial deficit with Brazil.

Moscow's initiative, to be paralleled elsewhere in Latin America, will explore joint ventures, barter and countertrade in an attempt to raise commerce from its current $600m (£320m) to more than $1bn in the next three years.

Last year, exports from the Soviet Union, predominantly of oil and machinery, totalled $88m whereas imports, dominated by coffee and cacao, amounted to $520m.

Mr Vladislav Kurenkov, chief Soviet trade representative in Brasilia, said the drive to increase Soviet exports was under way throughout Latin America, with particular emphasis on Brazil.

"We have to increase our sales, because we want to buy more," he said. "We will use any means necessary, but we are especially looking at opportunities for counter trade and barter."

Mr Kurenkov added that promising sectors included energy equipment, agriculture and steel products. The Soviet Union is already involved in Usimar, a $3.5bn joint venture with Brazilian and West German companies to build a big new flat steel works in the northern state of Maranhao.

He denied local reports, however, that the country had recently been prevented from purchasing Brazilian computer equipment after the intervention of CoCom, the international agency that restricts Western high tech sales to the Communist bloc.

"We have bought about $5m worth of computer components from Brazil, but in truth we are not as interested as the Brazilians would like in their computer business," he said.

Negotiations under way include the sale of a $50m [illegible] bottling unit to Brazil. In a smaller deal, the Soviet company, Sojus Plodoimport, has launched a joint venture with the coffee trader, Cacique, and Scotch whisky bottler, Teachers and Son do Brasil to bottle Stolichnaya vodka in Rio de Janeiro state.

By shipping the vodka in drums for bottling locally, the Soviets believe they can cut retail prices by up to 20 per cent and more than double their current $100,000 a year sales.

BP withdraws from S Korea joint venture

By Steven Butler

BRITISH Petroleum yesterday withdrew from a $520m (£277m) joint venture refinery project in South Korea with Kukdong Oil.

This follows the failure of Kukdong to obtain investment funds from the Hyundai group, which owns 50 per cent of the company. The project had received South Korean government approval despite discord among the company's shareholders.

Mr Chang Hond-sun, Kukdong president, is also a major shareholder and is related by marriage to the Chung family, which controls Hyundai.

BP has a second joint venture with Kukdong relating to gas distribution in the Seoul area.

Rise in W European diesel car sales ends

BY JOHN GRIFFITHS

A BOOM in diesel car sales which had been virtually uninterrupted in Western Europe for 14 years was thrown into reverse in 1987.

Sales last year dropped to 1.99m units, down 1.9 per cent, despite an increase of 6.1 per cent in the region's overall new car market to a record 12.25m, according to market analysts Automotive Industry Data.

However, the setback is due almost entirely to a big diesel sales downturn in West Germany, which has been by far the largest market for such cars.

With sales continuing to set records in the UK, France and Italy, last year's downturn "is more likely to be seen by some informed market observers as no more than a short-term setback", according to AID*.

Sales in West Germany last year fell by 26.8 per cent to 567,511. This reduced the share of total West German new car sales taken by diesels to 29.4 per cent, from 39.4 per cent the previous year.

However, AID says the 1986 boom in Germany was triggered by the emission-related uncertainties with petrol cars which prompted a "mad dash" into diesels.

Now that catalyst-equipped petrol cars are being more widely accepted, "the popularity of oil-burners is rapidly falling," says AID.

Overall, diesel cars' share of the West European market fell last year to 15.8 per cent from 17 per cent, while diesel car output in Western Europe also declined, but only by 0.8 per cent. With uncertainty fairly widespread about tougher legislation on diesel emissions, and petrol prices remaining low, it is possible that growth will continue but at a slower rate.

● Japan's total car exports fell by 4.9 per cent over the previous year after being hit by the yen's sharp rise against the dollar and a weak US market, AP reports from Tokyo.

The Japan Automobile Manufacturers' Association said exports during fiscal 1987 declined to 6.27m, the second consecutive year of decline.

Exports to the US, Japan's major car export market, fell by 11.3 per cent from a year earlier to 3.01m vehicles, while sales to Europe totalled 1.68m, down 0.7 per cent over 1986.

Car exports to South-east Asia rose by 10 per cent to 477,780 and to the Middle East by 29.7 per cent to 221,890.

AID Newsletter, £230 or $415 per annum, from Automotive Industry Data, 34 St John Street, Lichfield, Staffs. WS13 6PB, England.

Tandy teaches CDs both to read and write

The company claims to have developed the world's first erasable compact disc. **Louise Kehoe** reports

TANDY Corporation, the US electronics group, took analysts, competitors and even some of its own senior executives by surprise last week with the announcement of what appears to be a major breakthrough in optical digital recording technology. The company announced that it has developed an erasable compact disc.

Tandy says it has developed a system that will share the high quality sound advantages of compact discs, and the high density data recording capabilities of their computer cousins, Compact Disc Read Only Memories (CD-ROMs). In addition, Tandy says its innovation will be capable of recording, erasing and re-recording hundreds of thousands of times over.

Reactions to Tandy's announcement have been mixed. While many greeted the news with excitement, some experts remain sceptical, in part because Tandy said that it will be 18 months to two years before the first commercial products based on its new technology come to the market.

With its announcement, Tandy is claiming a world first. The company, not known as a technology leader, appears to have beaten such giants of recording technology as Eastman Kodak, Philips, Sony and Thomson CSF, as well as several other major companies that have been attempting to find a way to make re-usable optical recording systems.

Tandy says that its "Thor CD" technology was developed entirely in-house at the company's Silicon Valley research centre. The research project was considered so significant that it was kept a secret, even from most of the company's own executives, says Mike Grubb, Thor CD technology director.

Thor CD has the potential to pay off with "tens of millions of dollars, or even hundreds of millions of dollars in profits and royalties," says Tandy chairman, John Roach. He reports that Tandy is "actively working with key electronics innovators around the world to license this technology for use in hardware systems and for the development of media products."

Tandy declines to identify its potential partners but says it plans to manufacture Thor CD recorders itself as well as licensing others to do so.

The company says it will be 18 months to two years before audio compact disc and blank Thor CD discs are commercially available. But it forecasts a price of "under $500" for a recorder and says that discs will cost only slightly more than the current $10 price of blank compact discs.

Nevertheless, several important questions about Thor CD remain unanswered. Although Tandy demonstrated a prototype of the recording system at a press conference in New York, company officials declined to provide details of how the system works and Tandy has yet, according to optical recording technology experts, to prove the longevity of Thor CD recordings.

Sceptics believe that Tandy's apparent technology breakthrough is still in the very early stages of development and suggest that the company may still have significant technical challenges to overcome.

Experts speculate that the Thor CD discs, which are blue on one side, use a film of "dye polymer" material as a recording medium. Like regular compact disc technology, the Thor CD system uses a laser beam to detect microscopic "pits or bumps" and read data from the surface of the disc. Unlike "read only" discs, however, the material coating the Tandy discs is said to be erasable.

"Several companies have been working on developing an erasable dye polymer medium," says Bob Katzive of Disk/Trend, a market research group specialising in the data recording industry. Such systems record data using short, high energy laser pulses that form pits and change the reflectivity of the surface of the material, Katzive explains. The optical disc is erased using a longer pulse of lower energy laser light that heats the material so that it flows back into its original flat form, he adds.

Issues that Tandy has yet to address, according to Katzive, include the stability of the material over a long period, and how many times the disc can be used before the surface is degraded by bumps and ridges left over from previous recordings.

"While Tandy may be the first company publicly to announce the development of an erasable compact disc, I doubt that it will be the first to market," says Katzive. He views last week's announcement as a "pre-emptive strike" aimed at stealing the thunder of competitors.

None the less, Tandy's announcement has aroused enormous excitement in the consumer electronics and computer industries. "It may be one of the most important storage technology announcements of our era," says Phil Bevin, an industry analyst at Dataquest, the US market research company.

"If Tandy can pull it off, then there are very significant implications in both the audio and data recording fields," Bevin predicts.

For audiophiles, the prospect of being able to make high-quality digital recordings on compact discs is very exciting. CDs are far more rugged and potentially cheaper than alternative tape media such as Digital Audio Tape (DAT). Like DAT, however, recordable compact discs seem certain to raise the ire of the recording industry which fears mass pirating of its products.

Computer data storage systems based upon Tandy's Thor CD technology, which should become available about a year after the audio system's debut, according to the company, also promise a revolutionary change in the cost and availability of mass data storage systems.

Compact discs, including the erasable ones announced by Tandy, are capable of storing up to 550 Megabytes (550m characters) of data on one low-cost removable disc. This is more than 10 times the data storage capacity of most of the "hard disks" currently used with personal computers.

Whereas currently available CD-ROMs can be used only as hierarchical storage systems for data that does not need to be updated, Thor CD promises update and customisation capabilities as well as the ability to build up a large customised database.

Yet another future application of Thor CD could be as a replacement for today's video tape recorders. Digital video recording techniques for compact discs under development by General Electric of the US, and separately by Philips and Sony, "would be complementary" to the Thor CD.

Pratt & Whitney flight tests turbo-fan prototype

BY ROBERT GIBBENS IN MONTREAL

PRATT & Whitney Canada (PWC), the world's largest producer of small turbines, is to start testing a development model, V2500 turbo-fan engine in a Boeing 720B flying test-bed.

PWC, a subsidiary of United Technologies Corporation, has invested nearly C$15m on the test-bed project, including the cost of the Boeing. The V2500 engine is a new generation fan-jet developed by IAE International Aero Engines AG for the Airbus A320 and other similar medium-range aircraft.

IAE is a consortium of United Technologies, Rolls-Royce, Japanese Aero Engines Corporation, MTU of West Germany and Fiat of Italy.

PWC bought the Boeing from Middle East Airlines in 1986, and has had the aircraft converted into a flying test-bed for new generation turbo-prop and turbo-fan engines.

A new C$3m hangar at St Hubert airport near PWC's Montreal plant has been built to house the Boeing, and a venerable Vickers Viscount that has been used to flight test PWC turbo-props will finally be retired.

PWC is acting as sub-contractor to IAE for the test and is looking for more sub-contracting work to provide a return on the test-bed project.

The engine is number 10 of 12 existing development V2500 units, and will be the only one to be flight-tested. About 40 hours of testing up to heights of 43,000 feet will show whether the engine behaves and handles according to specifications.

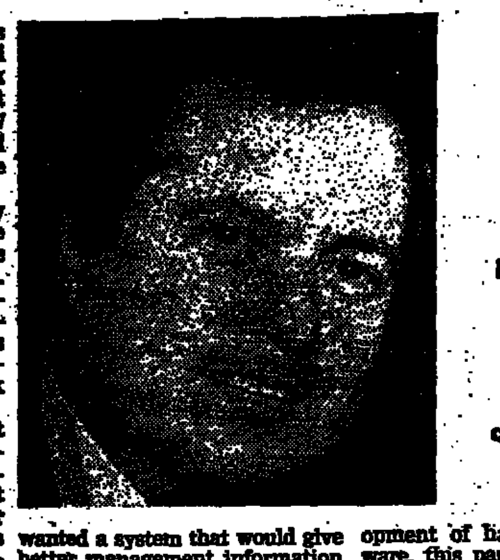
Production of V2500s has already started and international certification is due later this year or early in 1989. Once in production, the V2500 family will have cost about $1.5bn to develop.

PWC's Boeing was adapted by Aviation Traders (Engineering) of the UK. ATE modified the aircraft's right wing to carry the higher loads required for testing V2500s and made other changes. A turbo-prop test position was placed in the nose.

Flight testing begins in early May, and digital measurement equipment has been incorporated in a cubicle in the Boeing's fuselage so that a test engineer can control the engine during flight.

Morgan Grenfell settles its back-office strategy

BY ALAN CANE



Paul Tucker, Morgan Grenfell director with special responsibility for systems. His confidence leads him to believe that the firm might one day establish itself as a "settlement company", charging others to clear their bargains

LAST YEAR was not without its troubles for Morgan Grenfell Group. The UK merchant bank was beset with management changes, takeover rumours, a 27 per cent fall in pre-tax profits and the continued rumblings of the Guinness affair.

One area which did go very much to plan, however, was the technological development of the securities side of the business. Here the company has been quietly building an equities settlement system which experts believe is now a serious contender in the "battle of the back offices" raging in the City.

Ken Holcombe, settlement director at Morgan Grenfell Securities, says of the system: "Everything you would like it to be, it is," an appealing thought for firms struggling to come to terms with the technological consequences of deregulation.

Ever since the "Big Bang" 18 months ago, settlement has been a headache for City firms. They invested heavily in dealing and market-making systems at the expense of the "back office" and were caught relatively unprepared when trading volumes soared to unprecedented levels.

Trading today in international equities, domestic equities and in gilts, Morgan Grenfell built up much of its expertise in the period up to Big Bang through the acquisition of two City firms, the stockjobber Pinchin, Denny & Co. and the stockbroker Pember & Boyle.

But settlement has traditionally been the Cinderella in broking firms, often being passed over to a computer bureau – as was the case with Pember & Boyle which used Centrefile, the National Westminster Bank computer services subsidiary.

Therefore, when Centrefile announced it did not intend to build settlement systems for the post-Big Bang period, Morgan Grenfell (and a host of other companies) had to look for an alternative.

The immediate answer was to transfer settlement business to NMW Computers, another bureau which had a large number of customers among the smaller, country-based firms.

Paul Tucker, Morgan Grenfell director with special responsibility for systems, says it was the right decision at the time: "NMW did superbly well to get us through the most awful time."

Morgan Grenfell, however, wanted a system that would give better management information more quickly. And, as Peter Carter, its application development manager, emphasises, management wanted an in-house system so that it could gain better control of its own data.

Possibilities from "around the world" were considered before a system written by a small UK software house, Northgate Computer Services, was chosen. The marketing rights for this were held by the major US-based aerospace and information technology company McDonnell Douglas, which provided the computing hardware.

Called S4 (Stockbroking Settlement and Support System), the system was not ideal for Morgan Grenfell's needs, but it was decided it could be used as the core of a design tailored to meet the company's precise requirements.

McDonnell Douglas says the finished product now covers a complete range of back office settlement and accounting functions. "Its multi-currency facilities provide full control of foreign exchange positions, together with settlement of trades across a variety of markets including options, bonds, gilts and UK and foreign equities."

Morgan Grenfell took the line of least risk and initially customised the system for its international equities business, an area where, in any case, NMW was weak. This operation involved an eight-month development period with the work shared between Northgate and the Morgan Grenfell systems staff.

Costing some £1m in the development of hardware and software, this part of the operation went live in January this year. It is intended to bring domestic equities and gilts into the system in June.

Paul Tucker now believes he is ready for this year's crop of shocks to the system, including:

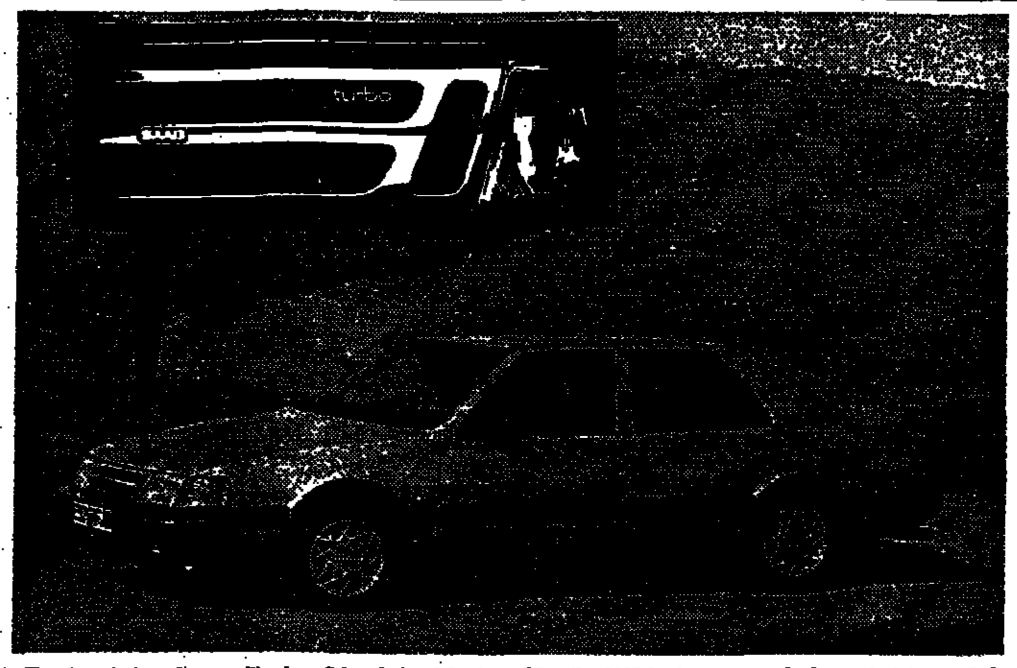
- The coming of SAEFS, the Stock Exchange automatic small order execution system.
- The development of institutional net settlement, where large institutional clients will have similar rights to exchange members in being able to settle bargains net with the Stock Exchange.

Scheduled for July 1, this will have wider ramifications, as Paul Tucker points out. It will require Stock Exchange members to change the tape record formats they use to communicate settlement details to the Exchange. There will be no "fall-back" position for firms which do not make the necessary changes on time.

Written in "ALL", a fourth generation language developed by McDonnell Douglas, and running on the company's super-minicomputers under the Pick operating system, S4 is reckoned to be easy to customise. It uses relational database technology and McDonnell Douglas sells the source code as part of the package – that means a firm's own programmers can easily modify the software.

The system seems to have given Paul Tucker a lot of confidence in Morgan Grenfell's settlement capability. He is talking about the possibility of establishing the firm as a "settlement company", charging other firms for clearing their bargains.

MANAGEMENT: Marketing and Advertising



The association of cars with aircraft has helped Saab position the 9000 in the more exclusive end of the market

How Saab found more fans among the jet set

Philip Rawstorne explains how the Swedish group's marketing concept helped move its cars up-market

"IT WASN'T that we had a bad image. We didn't have any image," says Bryan Hatter, deputy managing director of Saab Great Britain.

That was just four years ago. Now Saab's cars are parked upmarket among the Mercedes and the BMWs; and the way in which Saab moved into that niche in the UK has helped to promote today's international perception of the Swedish cars-to-aircraft group as a model for the future of the automotive industry.

Back in 1984, Saab GB took a long, hard look at itself as it prepared to launch the 9000 model, a high performance, executive car. "We asked ourselves whether we were capable of marketing effectively at such a level," says Hatter. The short answer was no.

Most of the kudos won with the introduction of the Saab 900 turbo in 1979 had been dissipated in the recession.

Market research by the Sussex firm of Mason Shakspeare showed that the tiny minority of Saab drivers thought very highly of the marque. But at least as many British motorists found it "boring", "dull", "quirky" and "old-fashioned"; and the great majority were unaware of it.

Research also suggested that Saab's dealer network, set up to deal with low volume, inexpensive cars, fell short of standards associated with an exclusive car.

Saab produced a video to administer a little shock treatment to its dealers, and prepare them for the changes that were clearly necessary if the company were to achieve its ambitions. The theme tune was "Only the lonely ..." and its sting-in-the-tail message: "A Saab is not sold, it is discovered."

Work then began on up-grading and rationalising the network of 155 dealers, many of whom had been with Saab since it introduced its first two-stroke car in the early 1960s. Since 1984, some £17m has been invested in improving dealer facilities. The number of dealers has been reduced to 125, but they are spread more evenly across the country.

Saab, with help from such bodies as the Institute of Marketing, ran special training courses to give the dealers more management and marketing know-how as well as technical, service and sales skills.

"We had to convince the dealers that we had the product range that would give them a good return," says Hatter.

The next crucial task was to demonstrate that Saab could market its new range by raising the awareness and appeal of its marque.

A score of advertising agencies was invited to compete for the account. Stuart Bull, director responsible for new business and planning at KMP Humphreys Bull & Barker (KHBB), won with a pitch on which all Saab GB's advertising has since been based.

"He showed us what had been staring us in the face," says Hatter. "He identified us as the only car made by an aircraft manufacturer."

Back in 1984 not many people in Britain knew of that association. But, as Bull showed, it was a link that evoked powerfully appealing images. He conducted vox pop interviews on the streets. "What would you imagine a car made by an aircraft company would be like?" he asked.

The responses sounded as though the advertising copywriters were already at work. People expected it to be "technically advanced ... fairly sporty ... aerodynamically designed ... reliable ... safe ... powerful ..." and to have "sophisticated instruments ... good handling ... quality."

Saab GB was enthusiastic; eager to put these emotional images of the car-aircraft, the driver-pilot, on to British television screens. Saab-Scania, the Swedish parent, was more sceptical and cautious. Sweden does not have commercial television; and the board took some persuading that a TV advertising campaign would be cost-effective.

The new advertising, in fact, started in the specialist motoring magazines, but the first TV commercial – featuring a Saab fighter taking off over a Saab car, and filmed by Tony Scott, who later was to direct Top Gun for Hollywood – was finally screened early in 1985. It ran for 1min 50secs. The only words spoken were: "From 7½ million to 7½ thousand .... Saab. Nothing on earth comes close."

The first results showed up, unexpectedly, not in demand for new Saabs but in a sharp rise in sales and prices of Saabs in the used-car market. But it was not long before sales of new cars also began to rise.

A second TV commercial was brought out in 1986. In this, a Saab 900 races through a bleak slate quarry and then apparently turns into an aircraft shooting skywards. It was filmed by Richard Longcrane, who has since directed The Missionary for the cinema.

This weekend, a third commercial – again filmed by a director, Martin Campbell, whose first cinema feature, Criminal Law, is due for release – will launch on TV the Saab 9000 CD models, the most luxurious yet.

Channel 4 news viewers have already had a preview – Saab allowed it to be shown earlier this year after the proposed merger between British Aerospace and Rover focused attention on the Swedish group. It was shot in Wiltshire in Barnes Wallis's old aircraft hangar, with troops of the Parachute Regiment appearing menacing in black uniforms heightening the atmosphere for the uncovering of the secret – "there are two new Saabs."

Spending on the advertising campaign has been relatively modest. Saab GB's budget has increased from £1.83m for the 1985 launch, to £2.7m in 1987, and around £4.2m this year.

Hatter claims there is a lot to show for it. Turnover increased from £64m in 1985 to £118m last year. Despite Saab's limited production, the number of cars sold has risen from 8,375 to 10,441 over the same period, with sales of 11,500 confidently predicted this year.

More important than the mere rise in numbers is the change in the types of car being sold. In 1983 only 23 per cent were turbos or injection. Now that figure is 56 per cent. The average retail value has almost doubled to £13,549.

Hatter says that though Saab's share of the total British market is still less than 1 per cent, it now takes 4-5 per cent of the up-market, £15,000 - £25,000 segments; and its growth is ahead of the market's as it fills the gaps in its product range.

Saab's dealer franchises – still short of both new and used models – are now the third most profitable after those of Mercedes and BMW, which they now see as their main competitors.

The television advertising continues to concentrate on building the marque, the brand image. "There was very little change in Saab's cars between 1985 and 1987," says KHBB's account director, Nigel Fordham, "but our research showed that over that period there was a 15 per cent increase in the number of people who thought the cars matched their requirements. The advertising had obviously helped persuade them that Saab was their type of car."

He is also investigating other methods of promoting Saab in the market-place. "For the past three years," he says, "we have been testing various direct marketing concepts. We believe that we must begin to talk directly to the customer. We have a prospective database of some 250,000 people, mainly business executives."

But KHBB's advertising – in which the agency's senior executives, chairman Richard Humphreys, creative director and longtime Saab driver, David Barker, and Stuart Bull continue to take an active interest – is now becoming the model for Saab's advertising worldwide, as the public's spontaneous recall of its imagery remains high.

It is the lack of such consistency in Saab's advertising in the United States that has just prompted the company to remove its $30m (£16m) account there from Ally Gargano/MCA Advertising and give it to Lord, Einstein, O'Neill & Partners, the fledgling agency which is involved in a legal battle with Martin Sorrell's WPP Group.

The criticism of Ally Gargano – the former head of which, Carl Ally, is now Saab's advertising guru – is not that its advertising failed to create sales but that it failed to find a memorable theme.

The British agency's second television commercial was adapted for some overseas markets; the third has been made with several others in mind. It seems certain that, increasingly, KHBB's ideas will be put to work in such potential growth areas as West Germany, Australia and Canada.

Direct marketing

Technology opens the door

Philip Rawstorne reports from the 20th symposium in Montreux

THE DAY OF the direct marketer has arrived, Jonah Gitlitz, president of the Direct Marketing Association of the United States, assured the industry's 20th annual international symposium being held in Montreux, Switzerland, yesterday.

New technology was spreading rapidly, opening more lines of communication to consumers; data processing was getting cheaper; and markets were becoming more segmented.

"We are in an era that is made for the direct marketer," Gitlitz declared.

Technology was shaping the future of the marketing industry in the US and, in varying degrees, in the rest of the developed world.

In the US there were now 44m households with video recorders; 41m homes were wired for cable television; 5m homes had personal computers, and the PC market was growing by 30 per cent a year.

"Modern technology has become as much a consumer imperative as electric lights, a telephone and a radio were in years past," Gitlitz said. And it was being used increasingly for direct marketing.

Home Shopping, QVC, and CVN, the three largest 24-hour cable TV home shopping channels had a total turnover last year of $1.5bn.

Retailer J C Penney had launched a new TV shopping service in Chicago in which customers' phones were linked to a computer for push-button orders. IBM and Sears were introducing a shopping and information service through home computers.

Video catalogues were increasing; and video tapes were used last year to sell, among other things, property worth $38m.

"There are today more than 500 companies in America involved in electronic marketing," Gitlitz said.

Changes in US society – often setting a pattern for western Europe – were also moving in favour of the direct marketer.

By the year 2,000, he predicted, 30 per cent of US households would routinely acquire products which only half that number could afford now.

As the markets for premium products grew, channels of distribution would shift. "Many marketers believe that out of this upgrading process will arise a super-premium market that will be served almost wholly through direct marketing channels. The mass consumption society of the past 20 years is giving way to the specialised consumption society of the next 20."

Hall "CAP" Adams, chairman and chief executive of the US advertising agency, Leo Burnett, agreed: "Gone are the days when a limited choice of products advertised in the mass media satisfied the great majority of consumers."

Markets were now becoming much more fragmented. The post-war generation of "Baby Boomers" had split into many sub-groups. "Blue Collar" skilled workers, who held the traditional values of their parents, were changing as rapidly as the industries that employed them. There was now a "New Collar" group – people of the same age and income but with a better education and radically different values.

The "Yuppies" had been surpassed as marketing's main target group by the "Grumpies" – grown up mature people.

Cutting across these groups were yet others – the "Oinks", one-income, no-kids families, whose wants and spending power were much different from those of the "Dinks", dual income, no kids families.

"These divergent groups," said Adams, "require highly targeted and relevant advertising."

In the US last year, 10,000 new products were introduced, many of them aimed at narrow consumer segments. Though direct marketing would not replace general advertising, he said, it would inevitably become a more important part of the marketing mix.

Advertising agencies would increasingly run integrated campaigns in which advertising, sales promotion, and direct marketing would play mutually supportive roles.

"With the data base that direct marketing creates, an advertiser can isolate his prime prospects, better understand them, and communicate more specifically with the advantage of a dialogue.

"As a result, he can achieve greater trial rates, build brand loyalty, more accurately measure results, and better improve his product."

These key note speeches from the US added to the buoyant atmosphere among the 3,000 marketers from 37 countries attending the symposium. Marketers in every field, from financial services to political fund raising, reported a growing acceptance of direct marketing, for so long the poor relation of advertising, and success for its methods.

In the European Community, attention is eagerly being focused on the prospects of a unified market in 1992.

More marketing money would be necessary in the financial sector as increased competition forced all players to become more aggressive and innovative in the use of marketing techniques, said Philippe Paillart, Vice-President of Citibank in West Germany. But 1992 would be "a bank marketer's dream" he said.

Thatcher averts Tory revolt with benefits retreat

BY PETER RIDDELL, POLITICAL EDITOR

THE CONSERVATIVE Government yesterday bowed to pressure from its own backbench MPs and announced concessions worth £100m to alleviate immediate problems created by this month's changes in the housing benefit system.

The adjustments sufficed to take the steam out of a threatened large-scale revolt in the House of Commons last night by Tories, including normally loyal MPs. At the end of the debate only a handful abstained and the Government had majorities of 96 and 97.

Some Tory members, however, warned of the need for further action. They said that the Government had done just enough for the time being but that they expected more concessions following this autumn's public spending review.

Yesterday's announcement by Mr John Moore, the Social Services Secretary, represents a change by the Government in positions recently defended by Mrs Margaret Thatcher, the Prime Minister. This follows an avalanche of letters to MPs and complaints at constituency surgeries.

The main changes are that the level of capital and savings above which entitlement to housing benefit will be lost is to be raised to £8,000 from £6,000, and that there will be provision of transitional help for claimants with benefit reductions of more than £2.50 a week. This will affect mainly disabled people, pensioners, families with children and single parents.

Mr Neil Kinnock, the opposition Labour Party leader, claimed his party had forced the Government to make concessions they had not wanted, but argued that the changes had "still only softened the blow for about one in 15 of the people that they've robbed with their changes. People on pathetically low incomes will still bear huge losses."

The whole episode has been embarrassing for the Government following a series of Tory backbench revolts over the past fortnight. There have been reports of angry recriminations among senior ministers with Mrs Thatcher demanding to know why there had been problems with the new benefit system.

But some senior Tories claimed last night that there might be beneficial side-effects if Mrs Thatcher and her advisers now paid more attention to backbench concerns.

After a number of criticised Commons performances, Mr Moore made a robust speech. He said the reformed system of social security would remain intact, while arguing that it was right for the Government to act "promptly and decisively" to deal with problems where the change had been too abrupt.

BBC TV expands daily business news coverage

BY RAYMOND SNODDY

THE BBC is planning to introduce comprehensive daily television coverage of business and finance as part of an expansion of news and current affairs. It involves an additional injection of £54m over the next five years.

Mr Tony Hall, editor of BBC television news and current affairs, said yesterday that specialist reporters would begin in January providing a nightly report for Newsnight, the late night current affairs programme, on the main financial stories from London and New York.

By late spring the service would be extended include an daily early morning programme including reports from Tokyo on-the-hour business updates.

The specialist economics unit will also produce a full report for the One O'Clock News and contribute to television news bulletins throughout the day.

The details of future television news coverage emerged yesterday as Mr John Birt, deputy director general, introduced the BBC's five-year plan for its news and current affairs.

Alan Cane examines worries in the financial services industry over its readiness for tomorrow's deadline

Firms face difficulty adapting computers for A-Day

FINANCIAL services companies are having severe problems ensuring their accounting and information systems will comply with new regulations, demanded by the Financial Services Act, which come into force tomorrow – so-called A Day.

This means that from next week firms dealing in all forms of financial services – including securities, unit trusts and insurance – face a difficult period while they complete the largely computer-based systems.

Those which fail to develop adequate methods face being banned from trading when regulatory officials begin their inspections later in the year.

In addition, the industry faces further problems with some small companies which are finding it difficult to raise enough cash to ensure they have adequate capital under the terms of the act.

Senior managers at a number of firms yesterday condemned the timescale for introducing the new systems, without which they cannot secure interim approval to carry on trading from their self-regulatory organisations, such as The Securities Association (TSA).

From tomorrow, it will be a criminal offence for a company to trade in financial services without such approval.

Commenting on the timescale for the system changes, one senior executive said: "The way this system has been introduced is nothing less than a disgrace."

Another executive complained: "It is very difficult for anybody to be sure of where they are with the continual emergence of new transitional arrangements."

To help solve the problems, the Securities and Investments Board, the City of London's regulatory watchdog, and the self-regulatory organisations have over the past few weeks introduced a series of transitional arrangements.

However, firms complain that these, like the new rules, are difficult to interpret.

In the past two days, for example, the Securities Association, which is the self-regulatory organisation for securities houses, has relaxed its rule on securities dividends which have to be paid to clients.

Originally, it was insisting that dividends collected should be paid out within 24 hours of receipt. It has now extended the period to two weeks.

Mr Lindsay Thomas, of TSA's systems enforcement division agreed that the timescale had been a problem for many firms, but it had been a two-way process.

His association had modified rules which firms had said were unclear, then the firms complained of further changes.

He said the timescale difficulties had been compounded by the fact that many firms were poorly organised to produce management information in the first place.

Many firms' accounting systems had yet to recover from the volume of business experienced after the "Big Bang" deregulation of Britain's financial markets in 1986.

"We are not here to keep perfectly competent firms from trading," Mr Thomas said.

He pointed out that if stock market activity increased, orders would be issued to restrict trading in those firms whose back offices clearly could not take the strain.

A small number of firms, he said, faced a trading bar if they could not show by tomorrow that they had adequate capital under the terms of the act.

Insurers braced for upheaval over disclosure ruling

BY NICK BUNKER AND CLIVE WOLMAN

THE SURPRISE move announced on Tuesday to compel life insurance brokers and other independent intermediaries to disclose commissions received for recommending particular policies may sound like a technical reform. However, it will have a greater impact on investment advisers and the financial services industry than any other provision in the new structure of investor protection.

The political reversal has been dramatic. For the past three years, the insurance industry and the Securities and Investments Board, the chief regulatory overseer, have been working on the assumption that the industry would be exempted from the full disclosure requirements that have been applied to all other investment businesses. The SIB itself was reluctant to challenge the accepted wisdom, partly because it feared further delays in introducing the system and because of the influence of its board.

The insurance companies viewed all the hurdles through which the new rulebooks of the self-regulating organisations had to pass, including the scrutiny of the Office of Fair Trading, were viewed as a charade designed merely to satisfy protocol. They continued to squabble over the details of their rulebook, causing delays, on the assumption that it would be approved anyway.

The appointment of Lord Young as the Trade and Industry Secretary after last year's election has had a decisive effect. He felt little commitment to preserving the policies of his predecessors and emphasised the need to promote competition and attack restrictive practices.

The insurance industry has long devoted a large share of its creative energies into exploiting loopholes in rules, both of taxation and regulation. Yesterday, insurance companies were already thinking up ways to minimise the effect of full disclosure of commissions. However, the obligation to disclose commission is likely to be required both when a policy is sold and in writing in the subsequent notice from the insurance company.

As customers become aware of the large sums that insurance brokers or building societies are being paid, typically about £500 for recommending a £40,000 endowment mortgage, they will be encouraged to ask for a rebate of part of the commission. Such negotiations must favour the emergence of a fee-based system in which the intermediaries are paid on an hourly basis for advice that they give.

The new regime is also likely to require more explicit disclosure of the total charges or expenses that insurance companies take out of their policyholder's premiums before - and while - they are invested. This will create a niche for insurance companies to pay no commissions and to cut down their sales forces and other marketing expenses to the barest minimum and then to promote themselves to fee-charging independent brokers on the basis of having the lowest expense ratios.

The first impact is likely to be on those mutual insurance companies, such as Standard Life, Norwich Union and Scottish Amicable, or shareholder-owned companies like Equity & Law and Sun Life, which rely on independent brokers.

Even before this week's announcement, many feared a shrinkage in the number of brokers and independent intermediaries, because they would face heavier costs from regulation. One trend in the past 12 months has been for "direct selling" offices, such as Abbey Life, or London & Manchester, to recruit independent intermediaries to their sales forces.

But fears of a big contraction in the intermediary market had been subsiding as it became clear that about 9,500 small businesses would be authorised independent investment advisers under the Financial Services Act. That was until Tuesday.

When independent intermediaries, including banks and building societies, realise they will have to tell customers exactly how much commission they get "they are just going to panic," says Mr Roger Ackman, insurance analyst with SBCI-Savory Milln, the stockbroker. Many will become direct salesmen and "the mutuals could see a large part of their distribution system just vanish in 1990."

If so, even the mighty Standard Life might find itself forced to abandon sole use of independent intermediaries and set up a sales force, a long, costly process.

In theory, then, the winners should be the unit-linked life offices, such as Abbey Life, Allied Dunbar and TSB Life, which already have well-developed armies of direct salesmen. Other winners could be those companies which rely on door-to-door salesmen. They are building direct sales forces at the moment and have the financial strength to try even harder still.

The new publicity for commission rates and expenses could damage the entire industry's image, and slow down sales growth. But, says Mr Ackman, "In the long term, the direct selling companies will be the winners. In the short-term, there is going to be a lot of pain as the whole industry goes through a painful readjustment."

If yesterday's news does unleash a radical upheaval in life assurance marketing methods, then it may add to the pressures which are already eroding the profitability much of the industry has enjoyed since 1980.

Between 1975 and 1985, new life premiums expanded on average seven per cent per annum in real terms. In 1987, new business grew more than 25 per cent to £12.16bn. And in the short-term, the industry should maintain much of its sales momentum.

First, the buoyant housing market is leading to big sales of mortgage-linked life policies. Second, legislation freeing individuals from spring 1988 to buy new-style personal pensions may produce another sales boom.

But while sales growth may continue, the same may not be true of profitability - which could be squeezed heavily if companies have to spend heavily to build new marketing channels. The industry's profitability so far in the 1980s can be attributed to a combination of circumstances - rising stock markets, relatively high interest rates, the endowment mortgage boom, and a remarkable freedom from regulation of selling practices.

Not everyone agrees with Mr John Ginarlis, insurance analyst with Banque Paribas Capital Markets, who says last October's stock market crash "dealt a fundamental blow to the life assurance industry."

But it has damaged the ability of life companies to use their capital gains to maintain the high bonus rates with which they have wooed policyholders and their own shareholders alike in the last few years.

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LIFE insurance companies are to be compelled to disclose what proportion of their policyholders' premiums are being absorbed in charges and expenses, following the decision that insurance brokers must disclose what commissions they are being paid for recommending policies.

Officials at the Securities and Investments Board yesterday indicated that expenses disclosure would be part of a package of new rules to remove any biases against commission-paying companies in favour of those which employ direct sales forces.

A document on calculating expenses has been prepared and the SIB will ask for representations on the report. It expects to introduce the new requirements by the end of next year.

Sir Gordon Borrie, the Director General of Fair Trading, urged adequate disclosure, to ensure "a level playing field" between independent brokers and company salesmen.

Sir Gordon also withdrew his objections to the rulebook of the Life Assurance and Unit Trust Regulatory Organisation (Lautro) because of its agreement on disclosure. This will allow Lautro to be recognised today as the fifth and final self-regulating organisation under the new investor protection framework.

The insurance industry yesterday reacted to Tuesday's announcement with anger, tempered by reassurances that reform would not be as serious as first claimed. The Campaign for Independent Financial Advice blamed the European Commission for enforcing the change and said practices in the rest of Europe were worse than in the UK.

The stock market took the news calmly with little movement in share prices. One analyst said, however, that publicity over commissions could have an adverse effect on insurance companies.

UK NEWS

James Buxton previews Britain's latest garden festival in a transformed city

Glasgow presents its prettiest face

A COLLECTION of enticing outlines and gaudy artefacts against a blur of greenery, just across the river Clyde from the centre of Glasgow, will today come alive as Britain's latest garden festival – an extravaganza which it is hoped will mark another stage in the recovery of Scotland's largest city.

After three years of earthmoving, construction and the planting of thousands of trees and shrubs, the Glasgow Garden Festival begins its five-month run today, with an official opening by the Prince and Princess of Wales tomorrow. The organisers hope to attract between 3m and 4m people to what will be Britain's biggest single tourist attraction this summer.

A garden festival is a rare hybrid, blending strains from great exhibitions, theme parks, outdoor music festivals and the Chelsea Flower Show. Into the 120-acre site of the Glasgow Garden Festival are crammed a 210ft viewing tower, a terrifying roller-coaster, a sports arena, a harbour and a tramway which transports visitors along one of the longer stretches of the site in museum piece trams.

Wandering about – there is no guidebook – the visitor might stumble across a pipe band performing, have the chance to sit in the cab of a British Rail High Speed Train, seek the peace of one of the innumerable gardens, large or small, bump into a sheep promoting the Scottish woollen industry or hear the Glasgow Philharmonic giving an open-air concert.

Virtually everything is sponsored - for example a bank provided the viewing tower, and a whisky distillers put in the new footbridge across the Clyde.

The festival is intended to offer a fun day out for the whole family, and there is so much of it that it would take several visits to do it justice. It is the latest in a line of succession which began in West Germany. Such festivals were used after the Second World War as a *means of* reviving bombed-out cities, by raising spirits and applying a concentrated burst of investment to part of the city's landscape.

The first garden festival in Britain was held four years ago in the industrially-devastated north-western port of Liverpool, partly on the initiative of Mr Michael Heseltine, who was then Environment Secretary. A second was held in the east Midlands town of Stoke-on-Trent in 1986.

However, while the Liverpool *festival* was considered a success, attracting 3.4m visitors, Stoke's was considered a flop: it brought in fewer than 2m people and left a deficit of about £5m on what was a heavily subsidised event in the first place. The blame was put on the appalling summer weather of 1986, poor promotion and the fact that a surprising number of people turned out to have little idea where Stoke was.

Although garden festivals are planned for Gateshead, in the north east, in 1990 and the Welsh town of Ebbw Vale in 1992, the Government indicated last year that it may not fund one in 1994: it has set consultants to work to see whether festivals provide value for money.

Festivals are expensive. The Scottish Office puts the gross cost of creating and running the Glasgow festival at £41.4m. After ticket sales and other revenues the net cost is being estimated at £18.7m, a necessarily rough calculation which depends heavily on the number of visitors, the final sponsorship tally (now put at £14.6m) and the use of the site after the event.

The net cost is being funded by the Government through the Scottish Development Agency which owns the garden festival company.

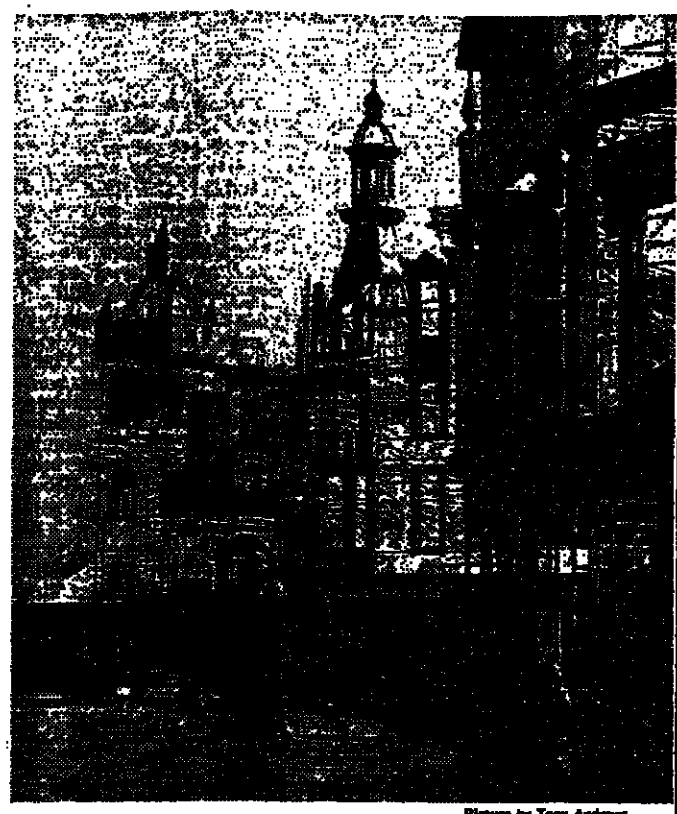
The figures are higher than previously published estimates – which put the gross cost at £35m, and the net at £15m – because, the Government says, of inflation, the inclusion of value added tax and additional spending by the festival on marketing.

The organisers believe they have created a more imaginative and exciting festival than the previous British festivals. They ascribe this in part to having learnt from others' mistakes. As one of the Glasgow organisers put it, not necessarily without bias: "You could tell from the start that Stoke wasn't going to be a success. It had the dead hand of a local authority all over it."

The Glasgow festival, it is argued, has behind it the more imaginative clout of the Scottish Development Agency and the easy co-operation between private and public sector which has already achieved much for the city.

There has also been no need to tell the festival officials to smile and be friendly: Glaswegians do that naturally.

The festival organisers have been immensely encouraged by the fact that they have sold more than 100,000 season tickets (only



Picture by Tony Andrews

Under construction: a collection of Glasgow's most famous landmarks put together in one mock-facade street. Part of the 120-acre festival site

worthwhile if you make at least five visits) – 11 times as many as Stoke sold.

It remains to be seen how successful the marketing of Glasgow has been, but leisure clubs and societies and the travel trade are scheduled to bus in visitors from all over Britain and it is hoped that tourists visiting Scotland anyway will stop off in Glasgow.

The great unknown is the weather. Glasgow absorbs about 40 inches (96cm) of rain a year and not all of it falls in winter.

Under a plan which caused great controversy, all but a tiny portion of the festival site, former dockland, was due to have been bulldozed after the festival ended by Laing Homes, the developers which acquired the site for housing shortly before it was designated for the festival and leased it for four years to the SDA.

Earlier this year, however, after long talks with the SDA, Laing changed its plans. It is now to offer 11 acres of the best-landscaped part of the festival site to the city as a park, devote another 11 acres to a riverside development with tourist attractions and use 16 acres for creating a business park. The rest will become private housing, for both low and high-income families.

New office and shopping developments are going up or planned and a concert hall has recently been started to be ready by 1990, for which the city has won the role of the European Community's City of Culture.

Ideas are at last being drawn up to deal with the city's new slums, the post-war outer housing estates.

However, the effort is all based on hope. Glasgow has not yet found a new economic role to replace shipbuilding and heavy engineering which suffered almost final destruction in the last economic recession.

Those industries sprang out of the decay of the cotton industry, which itself had replaced the city's previous staple, tobacco, in the late 18th century. After each setback the city energetically reorganised itself and tried to present its most attractive face.

Which is where the Garden Festival comes in.

'Spectacular' year sees venture funds top £1bn

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

VENTURE CAPITAL invested in British industry almost doubled last year to total more than £1bn for the first time, Mr Nigel Lawson, Chancellor of the Exchequer, said yesterday.

Mr Lawson said that that "spectacular" growth of Britain's venture capital industry since 1979 meant that the amount invested in the UK was equal to that investment in the other 11 European Community countries put together.

A "fair" proportion of the money invested here went to small and medium-sized high-risk enterprises. Another increasingly important destination for venture capital was management buy-outs.

Buy-outs were usually less risky than entirely new ventures but were, nonetheless, important in that they tended to breathe new life into parts of larger parent companies, Mr Lawson said.

Co-op Bank to raise £40m

By David Lascelles

THE Co-operative Bank, the clearing bank owned by the UK's co-operative movement, is to raise £40m in preference capital from a group of institutional investors. This will be the first time the 116-year-old institution has tapped outside sources of long-term capital funds.

The 25-year issue, which is being managed by Chase Investment Bank, is being priced to yield 11.301 per cent, representing a spread of 1.96 per cent over comparable gilt-edged stock.

Air Europe wins approval for £59 Paris fare

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR EUROPE, the independent airline owned by the International Leisure Group, has won approval from the UK and French authorities to offer its cheap £59 single fare between Gatwick Airport, south of London, and Paris from May 1.

This compares with the British Airways normal economy single rate of £85. At the same time, Air Europe will be offering an Advanced Purchase Excursion (Apex) return rate of £59, bookable 14 days in advance and including a Saturday night stay. This compares with the BA "spring saver" return rate of £65, purchasable two days in advance.

Mr Harry Goodman, chairman of ILG, said yesterday: "Air Europe is committed to challenging the scandalous air fares in Europe.

"The fact that we can now offer this (£59) fare represents the biggest breakthrough yet in demolishing the price barriers built up by British Airways and other national airlines."

The Air Europe cheap fare was announced as the airline entered critical public hearings before the Civil Aviation Authority, Britain's supervisory body, aimed at securing for itself the sole right to fly between Gatwick and Paris, in place of British Caledonian Airways which is now merged into BA.

These hearings are the first of many to be held this summer, in which other UK airlines will be fighting to take over the former

Harry Goodman: 'scandalous air fares in Europe'

BCal European short-haul route licences from Gatwick to Paris, Brussels, Nice, Athens, Copenhagen, Hamburg, Oslo, Rome, Stockholm and Stuttgart, which have been surrendered as a result of the BA/BCaL merger.

Yesterday's hearings, to be continued into next week, cover both the Paris and Brussels routes. Air Europe faces competition from BA itself (which has the right to re-bid for the routes), as well as from other airlines such as British Island, Connectair and Dan-Air.

Mr Goodman added yesterday: "Air Europe is the only carrier going before the CAA this week with proposals for radical new fares, the others are for maintaining the status quo".

Stolport may challenge ban on test flights

BY OUR AEROSPACE CORRESPONDENT

JOHN MOWLEM, the construction company which built and owns Stolport – the airport in the City of London – is taking legal advice on a decision by the London Docklands Development Corporation to ban test flights planned with British Aerospace Type 146 jets into Stolport on May 15.

The corporation believes that present planning consents permit the airport to use only the quiet turbo-propeller de Havilland Canada Dash Sevens.

Brymon Airways, which uses Stolport with Dash Sevens, had proposed the jet flight tests because it is studying the 146 aircraft for its other regional routes, and thought it might also be a suitable aircraft for Stolport. London City Airways, also a Stolport user, has also shown interest in the 146.

John Mowlem said: "We will have to see what our legal advisers say... But obviously we would not have planned the landings had we not believed that we were able to do so under our existing consent."

Seamen's union ready to expel strike breakers

BY OUR LABOUR AND TRANSPORT STAFF

THE National Union of Seamen is set to expel 280 seafarers who have been flown by P&O European Ferries from the UK to Rotterdam in an attempt to break the three-month strike at Dover on the south-east coast.

The NUS said the crews, which were last night making final preparations for sailing, would be deemed not to be union members as soon as they set sail.

The union hopes the move could thwart the company's attempt to resume its services from Dover, which have been halted for the past 12 weeks by a dispute over its plans for new working practices.

French dockers and seamen's unions yesterday said they would not handle P&O ferries with non-union crews, after the NUS had outlined its plans to expel strike-breakers. This could thwart the company's hopes of resuming some freight services to Calais.

The company said two ferries being prepared for sailing at Rotterdam would not sail until compulsory safety checks were completed today. Officials said government marine surveyors would check the certificates of both officers and ratings, inspect safety and navigational equipment and observe safety drills.

P&O has also asked the surveyors to issue certificates of safe manning for both vessles. These certificates, which are not mandatory, would allow the company to claim a measure of official approval for its revised manning arrangements, which have been attacked as unsafe by the NUS.

Mr Graeme Dunlop, the company's managing director, said its strategy to return at least some of its 11 strike-bound ferries to Dover by the end of the week was proceeding as planned.

A High Court action by Sealink British Ferries, which could lead to the NUS being fined or sequestrated for contempt of court was adjourned until this afternoon.

Sealink applied to the court to determine whether the union was in contempt of an earlier injunction preventing it from unlawful secondary action.

Crews on two Sealink ferries at Dover refused to sail yesterday, although they crossed picket lines before doing so. A small NUS picket at Folkstone prevented sailings of two other Sealink ferries.

Two P&O North Sea Ferries vessels at Hull on the east coast were out of operation because of sympathy action by ratings.

The union yesterday failed to obtain an immediate High Court injunction preventing P & O recruiting from outside the industry's National Labour Recruitment Scheme, after it was decided more evidence was needed. The hearing will resume on a date to be fixed.

Engineering to receive £16m boost

The UK Government is to provide £16m over the next three years to increase the number of students taking bachelor-level and higher degrees in the engineering of manufacturing systems.

The project is being set up in response to industry's calls for more engineers trained to deal with the sophisticated production processes which have been brought into being by new technology.

Courses in manufacturing-systems engineering are to be developed in selected universities and it is intended that the courses will have an annual intake of 1,500 undergraduate and postgraduate students by 1991-92.

The Government expects industry to support the project with contributions worth a further £8m in terms of student sponsorships, work-experience opportunities, equipment and teaching materials.

Bank to hold more gilt auctions within funding programme

BY SIMON HOLBERTON

THE BANK of England has decided that auctions of gilt-edged securities (Government stocks) will become a regular feature of its funding programme and that two such auctions will be held this financial year.

The Bank said yesterday it expected to hold two auctions of conventional gilt-edged stock for a nominal amount in each case of up to £1bn. The first would be held in July or August this year and the second in January or February next year.

The Bank's statement indicated that attempts by primary gilts dealers to change elements of the system appeared to have fallen on deaf ears. Some dealers had been pressing for changes such as the payment of underwriting fees or special arrangements for the encouragement of investors to bid for stock through the dealers. The Bank, however, said that there would be some "minor technical refinements."

Between May last year and January this year the Bank held three experimental gilts auctions. During January and February it conducted a follow-through excercise and sought the view of interested parties as to the success of the experiment and received a generally favourable response.

In one meeting of the Gilt-Edged Market Makers' Association, the Bank made it known that it was happy with the experiments and subsequently received the market makers' endorsement. A survey of institutional investors also found that they were happy with auctions.

Although the Bank intends auctions to be part of its future funding, it is not intended that they will supersede its other forms of funding, such as tap and minimum price tenders. The use of auctions will also depend on circumstances and will be evaluated on a year-by-year basis.

The three experimental auctions raised £2.8bn last financial year compared with more than £13bn from conventional and index-linked issues of stock.

The Bank is not expected to have to issue much more than £5bn of gilts this financial year. It would be suprising if the two auctions planned were for £1bn each. The funding of the UK public sector is, however, difficult to forecast. Recently the rates of interest for National Savings bonds were reduced to uncompetitive levels and it is possible that up to £1.5bn more may have to be raised through gilts sales.

Picture changes at Independent TV

Raymond Snoddy looks at sweeping new proposals for broadcasting in the future

THE INDEPENDENT Broadcasting Authority, often portrayed as a ponderous dinosaur not long for this world, has begun to move rapidly indeed.

The body charged with regulating commercial television, direct satellite broadcasting and, for a little longer, commercial radio in the UK, has just presented a series of proposals that would have been unthinkable a year ago.

Not only does the IBA welcome the arrival in 1993 of a fifth channel financed by advertising and specialising in local-interest programmes, but it also suggests that part of the tax paid by ITV companies should be a "royalty payment" for the right to use frequencies in the form of an "upfront" tax on advertising revenue.

To show how tough it can be with errant companies, the IBA talked of borrowing from the world of football a system of yellow and red cards. These cards would serve to warn, remove franchises or impose financial penalties on companies knowingly breaching their obligations.

Lord Thomson, the IBA chairman, said that TV-am, the commercial breakfast station, would probably have received a yellow card in its early days when the authority was concerned about the quality of its news and current affairs.

The IBA has also proposed that "publisher-contractors," - who, as in the case of Channel 4, own neither studios nor employ staff programme makers - should be able to apply for regional Independent Television (ITV) franchises when they come up for renewal in 1992.

Mr John Whitney, the IBA director general, said publisher-contractors would be able to buy all programmes from independent producers if they wished.

Lord Thomson, who personally delivered a copy of the proposals to Mr Douglas Hurd, the Home Secretary, said the aim of independent television in the 1990s was to place the viewer at the centre of the debate on the future of broadcasting. The debate will end in autumn 1989 with a substantial broadcasting bill designed to create a new framework for broadcasting for the remainder of the century.

The IBA believes that the number and character of new channels becoming available in the 1990s will still be sufficiently limited to leave a clear need for public-service broadcasting to be preserved on all four existing national television channels in the UK.

Lord Thomson said: "The challenge for the Government, the challenge for Parliament, the challenge for broadcasters is for the sake of the viewer to promote constructive change with continuity in the best traditions of British broadcasting."

The continuity envisaged by the IBA includes the belief that the present programme remit and independence of Channel 4 are best protected by its existing ownership structure, as an IBA subsidiary.

The IBA also opposes to the Broadcasting Standards Council being introduced by the Government except as a body that could commission research into sex and violence on television and confine its role to general surveys of standards on television.

Yet there is considerable evidence in the document that, like many other institutions in Britain, the IBA is responding to Mrs Margaret Thatcher's desire for change in her third term.

The authority made clear its "preferred option" on the awarding of what it would like to be 10-year franchises. That would be for the awards to be made on the basis of a company's ability to fulfil clearly and publicly stated programme requirements.

In addition to the "royalty" payment for the right to use a still scarce resource, there would be a profits tax which would decline as competition increased. Although it does not like the idea, in deference to what it sees as political reality, the IBA included a blueprint for a form of competitive tendering.

This would involve the IBA, with the help of merchant banks, in setting a value on a franchise. Those prepared to pay the price would then be judged on their programme proposals and the winners would pay the fee in the form of a proportion of net advertising revenue.

Open to question, however, is whether the IBA report has arrived in time to deflect the Government's determination to reduce the subjective elements in the awarding of ITV franchises by introducing a system of competitive tendering.

BUSINESS LAW

State traders need not pay

By A. H. Hermann, Legal Correspondent

UNLESS it is reversed by the House of Lords, yesterday's rejection of the creditors' appeal claiming that member governments are liable for the debts in the International Tin Council's mega-insolvency will be a blow to the London market. It will also be a final blow to the business community's confidence in the ability of UK courts to uphold the rights of banks and merchants against governments defaulting on their contractual obligations – a confidence already badly shaken by the decisions in Polish and Cuban sugar disputes and those concerning Uganda Holdings, Portuguese shipyards, the Colombian Embassy London account and Spanish Rumasa trade marks.

To the long list of governments who do not pay because they cannot, the Court of Appeal has now sanctioned the addition of another 22, some of them rich and eminently solvent, who simply repeat "won't pay" in various languages, whilst getting away with it to the tune of some £900m.

The judgement is long and thorough. It takes up 255 pages of typescript which I could only peruse with indecent speed in the two hours before my deadline for this article. But even so, one can see that its persuasive force is very weak because the three appeal judges disagreed on essential points.

Only Lord Justice Kerr, the presiding judge, concluded that the member states are not liable for the unpaid debts. Lord Justice Nourse in his judgement – closely argued on international precedent, doctrine and principle – concluded that the member states are jointly and severally liable for the unpaid debts under international law enforceable by English courts.

In addition, Lord Justice Ralph Gibson concluded that the member States were liable under international law but, rather surprisingly, took the view that this liability could only lead to a claim presented by British government in the International Court of Justice in the Hague. The end result was that, although two judges held the member states to be liable, the creditors lost the case. The likelihood of the British government, which opposed the creditors in London, taking their case to the Hague is beyond belief.

We will come back with more detail but this will have little bearing on the practical effect of the court's judgment: the member governments who formed the International Tin Council by an international treaty in order to operate a buffer stock and and to keep the tin price artificially high by cornering the commodity on the London market – and moreover instructed the ITC to continue to borrow when already insolvent – cannot be sued by the creditors who are left to carry the can. Indeed the details and the very length of the judgment only obscure the absence of a strong and convincing reason of principle justifying this conclusion.

The Court of Appeal could not give such a reason because none exists. Law is not some magic imposed by hostile forces on mankind which must do its best to comply with its rules, however absurd, but a man-made framework enabling people to work and co-operate – and perchance to play – in relative safety. This judgment destroys that safety for all business dealings between private traders and governmental trading organisations. It destroys the confidence without which the fast-growing sector of state trading cannot continue and prosper in a world of private enterprise.

The judgment is an immediate blow to the creditors of the insolvent ITC and to the UK's Inland Revenue – which is likely to lose some $500m, since the creditors losses will be tax deductible. In the long run, however, it will be the governments most dependent on international support organisations like the ITC, and state-trading countries everywhere, which will suffer most: those who can will avoid having any business with them; those who cannot will have to demand costly guarantees and securities.

Given that the British Government made it quite clear as soon as the ITC collapsed that it was ready to honour its obligations, it is hard to understand why it now supports its ITC partners in their refusal to pay – unless it succumbed to stubborn lawyers mesmerised by the chimera of a legal victory which it is not in the interest of their client to achieve, or gave priority to the interest of other member states.

Even if this pragmatic consideration is left aside, it must be rather embarrassing to go to court with an artificial legalistic web woven in support of the default and against the interest of the British creditors.

Let us accept with the Court of Appeal that the ITC is a creature of international law. This consists not only of treaties – one of which created the ITC – but also of rules derived from usage and from the general principles of law respected by most nations. One of these rules is that partners trading as a company are individually liable to creditors for the company's unpaid debts unless they have made it known that their liability is only limited. To protect the creditors of such limited liability companies all industrial countries, and many others, have enacted more or less strict rules governing their management, accounting, registration and disclosure of balance sheets and trading results.

Corporations created by international treaty and subject to international law may escape these stringent rules, but not the fundamental principle that their members are liable for unpaid debts unless they declared otherwise when constituting the corporation. Having stated that international corporations created by an international treaty are governed by public international law which also determines their status, Dr F.M. Mann, the leading authority on this subject, writes: "This rule applies, in the first place to the question whether the member states are in any way responsible for the corporate liabilities and, if so, whether their liability is limited or unlimited."[1]

"The existence of a body corporate," continues Dr Mann, "does not necessarily relieve member states of their responsibility. In France a partnership enjoys legal personality. In England an unlimited company is a body corporate. Yet in both cases members are, or may be, liable to the corporate creditors."

When creating international organisations with limited liability, governments state the limited liability clearly and publicly in the charter of such corporations. This was done, for example, in the case of the International Bank of Reconstruction and Development, and of the Inter-American Development Bank, where member states' liability was limited to the unpaid portion of the issue price of the shares. In the case of the African Development Bank, and of the International Finance Corporation, any liability of member states was explicitly excluded by the charter. No such exclusion can be found in the International Tin Treaty.

Another important factor in the protection of creditors is the principle of good faith, the pillar of most national systems of business law. Even when limited liability is formally established, English and other courts do not hesitate to "lift the corporate veil" when it is unfairly or fraudulently abused to the detriment of creditors. Under West German law governing companies limited by shares, a parent owning the equity in a subsidiary of a group is obliged to make good any losses suffered by the creditors of the subsidiary as a consequence of instructions received from the parent company. The principle has an even wider reach: courts held bankers liable to creditors of their clients who defaulted on deals concluded on the basis of the bankers assurance that the debtor is within their sphere of influence. The credit enjoyed by the ITC was to a large extent based on the confidence inspired by the 22 governments controlling it.

This principle of owners' liability for the debts of their businesses, even where these have a separate legal personality as a partnership, which the ITC was, and even where these are constituted as companies limited by shares, is uncomfortable to state trading countries who do not want to be responsible for the defaults of their agencies. Indeed, some confirmed the existence of the general rule of state liability by taking considerable pains to obtain an exemption from it. Thus the Czechoslovak Foreign Trade Code of 1963 provides in s.10: "Unless otherwise provided in this Act or in special regulations, members of a legal person (body corporate) . . . , shall not be personally liable for its obligations." In contrast with the ITC which claimed both that member states are not liable, and that they enjoy sovereign immunity, an authoritative Czech commentary[2] explained, that the absence of State liability means that, on the other hand, the Czechoslovak trading agencies cannot claim sovereign immunity.

If the Court of Appeal decision in the ITC case is upheld, state trading countries will have no need to go to the trouble of enacting exemptions of state liability for the debts of their trading agencies: English courts will do the job for them.

[1] *F.M. Mann, Studies in International Law, p.572.*
[2] *P. Kalensky, L. Kopac, The New Czechoslovak Code of International Trade, Bulletin of Czechoslovak Law (1964) Vol.XXII, p. 160.*

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LAW

Non-director can be disqualified for unpaid Crown debts

RE LO-LINE ELECTRIC MOTORS LTD
Chancery Division:
Sir Nicolas Browne-Wilkinson, Vice-Chancellor:
March 30 1988

THE USE of money owed to the Crown to prop up a failing business is more culpable than failure to pay commercial debts, and the court may disqualify a person from acting as a director if, though not appointed as such, he has acted as a director and traded through limited companies knowing them to be insolvent, and using Crown debts for such trading.

Sir Nicolas Browne-Wilkinson, Vice-Chancellor, so held, when ordering that Mr Peter Browning *should be disqualified from acting* as a director for three years, except in respect of two specified companies. The application for his disqualification was brought by the Official Receiver.

HIS LORDSHIP said that in 1968 Mr Browning was appointed a *director of Brownings Electrics*, a long-standing family company. His father was managing director.

The company repaired and manufactured electric motors. Mr Browning was put in charge of the manufacturing side. Manufacturing prospered, and a new company, Lo-Line Electric Motors, was formed to take it over. Mr Browning was a director.

In 1977 Lo-Line's bankers appointed a receiver who employed a *Mr Kanter to manage* the business. The receiver sold the business to a newly-incorporated company "*Maldon*".

Lo-Line was compulsorily wound up on October 15 1979. It was insolvent. Its liabilities included £14,861 unpaid Crown debts. No annual returns were ever made, and no accounts had been filed since July 1975. According to Mr Browning's evidence, he had very little to do with financial matters.

Maldon was *incorporated* in December 1977. The original directors included Mr Kanter and *Mr* Browning. *Mr* Browning resigned as a director on June 2 1980.

Maldon was compulsorily wound up on April 28 1983. It was insolvent. Its liabilities included £131,000 Crown debts. No annual accounts or returns were ever filed.

The moving spirit behind Maldon was Mr Kanter. He was in *total control. From early days* Maldon traded at a loss. Mr Browning deposed that he resigned as a *director* because he was unhappy at the way the company was run. He stayed on as production manager.

In November 1982 Mr Kanter absconded to the US. The court was told he was subsequently sentenced to imprisonment for dishonesty.

After his departure Mr Browning took over the running of the company, though he was never re-appointed director. Maldon ceased trading in March 1983.

Another company, Pressure Die Casting ("PDC"), was incorporated in 1980. Mr Browning was not appointed a director, but acted as a director.

PDC was compulsorily wound up on January 18 1982. It was insolvent. No annual returns or accounts were filed. *Its financial* affairs were primarily the responsibility of Mr Kanter.

Special Electric Motors ("SEM") was incorporated in December 1982, to take over the remains of Maldon's business. Mr Browning was the moving spirit and a director. *It was compulsorily* wound up in October 1984. It was insolvent. Its liabilities *included £16,738 Crown debts.* No annual returns or accounts were ever filed.

The *Official Receiver* applied under sections 295 and 300 *of* the Companies Act 1985 for an order disqualifying Mr Browning from acting as a director. The complaints as to his conduct related to Lo-Line, Maldon, PDC and SEM.

The *allegations* were *inter alia* that he allowed Maldon and SEM to trade after he ought to have known they were *insolvent*, and that Lo-Line, Maldon and SEM traded with monies that should have been paid over as Crown debts. Also, he failed to ensure the filing of annual returns and accounts for all four companies.

Section 295 of the Act gave the court power to disqualify a person from being a director for a maximum of 15 years in circum*stances specified in sections 296* to 300.

Section 297 gave express power *to disqualify* a person who had been persistently in default in filing annual returns or accounts.

Section 300(1) provided that the court might make a disqualification order against a person who had been director of a company which had gone into liquidation and of another company which went into liquidation within five years of the first, where his con*duct "as director of any of those* companies" made him unfit to be concerned in the management of a company.

The primary purpose of the section was not to punish the individual, but to protect the public against the future conduct of companies by persons whose past records as directors of insolvent companies had shown them to be a danger to creditors and others. The power was not fundamentally penal.

Ordinary commercial misjudgment in itself was not sufficient to justify disqualification. In the *normal case the conduct com*plained of must display a lack of commercial probity, though in an extreme case of gross negligence or total incompetence disqualification would be appropriate.

In the present case, during the hearing and without notice to Mr Browning, the *Official Receiver* sought to change the nature of an allegation from commercial dishonesty to crass commercial misjudgment.

Natural justice plainly required that a director being disqualified should know the charges *he had to meet*. It would not be fair to consider this charge.

The debts owed by *the companies* included substantial Crown debts in respect of PAYE, National Insurance and VAT.

Although Crown debts were not strictly trust monies, failure to pay them not only prejudiced the Crown as creditor, but in the case of PAYE and National Insurance, might also have a prejudicial effect on the company's *employees*.

The use of monies which should have been paid to the Crown to *finance continuation* of an insolvent company's business was more culpable than the failure to pay commercial debts.

Under section 300 the only conduct relevant to disqualification was conduct "as a director".

After Mr Kanter's disappearance, Mr Browning *de facto* ran Maldon until it ceased trading. Similarly, he was never *appointed director of PDC, but de facto* he acted as director.

The question was whether Mr Browning's conduct as a *de facto* but not a *de jure* director was relevant.

It was not possible to treat a *de facto* director as a "director" for all the purposes of the 1985 Act.

Thus in sections 282 (minimum number of directors), 212 (directors' share qualification, 293 (age limits) and 288 (register of directors), the word must be referring *to de jure directors*.

On the other hand, in some sections "director" must include a person who was not *de jure*. Thus, section 285 validated acts of a director notwithstanding a defect in his appointment.

It followed that "*director*" was capable of including *de facto* directors, but might not do so. The meaning varied according to context.

As a *matter of* construction "director" in section 300 did include a person who was *de facto* acting as a director, though not appointed as such.

The paramount purpose of disqualification was the protection of the public, not punishment. Section 300 required the court to have regard to "conduct as a director". There was no reason why Parliament should have intended that the decision to disqualify should turn on validity of appointment.

Mr Browning said that so far as Lo-Line and Maldon were concerned, he was not primarily responsible for the financial management of the companies.

Even allowing for that, he must have been aware of the substantial Crown debts remaining unpaid. The history of his con*duct showed a cynical* willingness to use the unpaid Crown debts to prop up the failing companies.

The charge that he failed to ensure the filing of annual returns and accounts was proved in relation to Lo-Line and PDC, but not Maldon and SEM.

When all those factors were put together there was no doubt that Mr Browning had behaved in a commercially culpable manner in trading through limited *companies* knowing them to be insolvent, and in using the unpaid Crown debts to finance such trading.

His conduct as a director in the past indicated that, without adequate financial and managerial supervision, he could not at present be trusted to run a limited company in such a way as not to constitute a risk to his creditors.

It was not suggested he was consciously dishonest. The case therefore did not call for prolonged *disqualification*.

Mr Browning was disqualified for three years, but was given leave to be a director of Brownings and another family company, so long as his brother-in-law remained a director of and had control of both companies.

For the Official Receiver: Anthony Bompas (Treasury Solicitor)
For Mr Browning: Charles Turnbull (Iliffes)

Rachel Davies
Barrister

Walpole Gallery/Susan Moore

New salon for Old Masters

An elegant oval staircase loops up to the first floor of No. 38 Dover Street and the new Walpole Gallery. Inside, standing on polished travertine admiring the space and the high coffered ceiling, it is more like being on the via del Babuino than off Bond Street. This piano nobile formerly housed the Queen's hairdressers Rene. Reconditioned, streaked with faux, its acanthus cornice given gold highlights, the salon is now a salone – and the grandest art gallery in London.

The gallery opened in November, and now presents it inaugural show, *Treasures of Italian Art* (until June 24). Director Clovis Whitfield described it as a "balanced anthology" intended to give an idea of the range that the gallery will offer. Given the scarcity of good Old Masters on the market, it is also a quite remarkable dealers' show.

The pictures are unusual in being of an impressively consistent high quality – although, inevitably, there are some weak links in the chain. Some are familiar, others are "discoveries," either new attributions or previously unpublished works. The exhibition is the fruit of several years of search, and I suspect that consultant Ferdinando Peretti is right to lament that the gallery could never again have an exhibition quite like this.

Dominating the gallery is perhaps the most spectacular "discovery," a large, decorative secular subject by Giorgio Vasari (1511-74), an artist best known to posterity as the author of "Lives of the Painters." His muscular fisherman, arranged along a receding diagonal, bend over their nets in the bed of a shallow river. The painting is fresh, and the colours the subtle shot pinks, olive greens and orange so enjoyed by Andréa del Sarto. A surviving canvas of identical height depicts birdcatchers, and seems to part of the same decorative cycle.

Caracciolo's "Tobias and the Angel" (seen at the RA's Bolognese show in 1982) is an impressive Caravaggesque canvas and an appropriate pendant. Tobias, ghoulishly pale in the raking chiaroscuro, has just landed the monstrous gleaming fish whose heart and liver will free Sarah of her devil.

If these arresting images, the largest in the show, are among the most interesting, so too are the smallest. Two tiny cedar wood panels, 3in by 10.5in, depict the Four Seasons and the Four Elements, the former by the rare Ferrarese artist Dosso Dossi, dated before 1520, the latter given to Girolamo da Carpi and the 1550s. The elegant Parmigianesque Elements contrast with Dosso's Northern, stumpy Seasons but it is hard to imagine that the two were not executed at the same time for the same cabinet or casket. It would be nice to see these delightful oddities again after their treacly varnish has been removed.

The sombre, intense, "St Francis in Meditation" is given to Annibale Carracci. In contrast to its dark palette, Pontormo's St Paul, thought to be a self-portrait, is a marvellously luminous if unusual image. More exquisite still is the glorious colour of the Annunciation by Jacopo Zucchi, a Florentine artist working in Rome in the late 16th century. It is a private devotional panel, perfect of its kind.

"The Annunciation" by Jacopo Zucchi

Finest of the portraits are Bronzino's likeness of his friend the engineer Luca Martini silken on its slate ground, and a superb half-length portrait of a gentleman by Moroni. Undoubtedly the strangest, though not necessarily a portrait, is the large nude of a young man reclining on a rumpled bed who, while stroking a cat, turns towards us his knowing smile. Lanfranco's erotic, enigmatic image, presumably painted for a private patron in Rome around 1630, belonged to Sweden's Queen Christina by 1677.

Seicento Genoa seems far more wholesome. The "Adoration of the Shepherds" by Valerio Castello is a glowing, crowded canvas – previously unpublished – halfway between Mannerism and the Rococo. It provides a natural link with the handful of 18th century canvases that conclude the show. The fluent, almost calligraphic brushwork in G.B.Tiepolo's oil sketch of the Rape of Proserpine is a potent reminder of Tiepolo's faultless draughtsmanship. Nothing as substantial as this late sketch has been seen on the market for many years.

Aimed at more conventional English taste, perhaps, is a meticulously painted Canaletto, an evening view of the Grand Canal and the Rialto. Not only is it a unique view in the artist's oeuvre, it also seems to be a rare record of a specific event. It may mark the official visit of Prince Frederick Christian of Saxony in 1739/40, but that has not deterred the artist from indulging artistic licence in juggling the palazzi on the Grand Canal.

Ziegfeld/Palladium

Michael Coveney

I am in no position to say whether or not this chaotic cabaret tribute to Florenz Ziegfeld is as good or as bad as the old impresario's famous Follies. What I can say without fear of reasonable contradiction is that it amounts to a fascinating obituary of British Light Entertainment. It is like some awful night at the dead, dread Talk of the Town, a poor Englishman's answer to the still glorious riches of the Paris Lido or Folies Bergère.

Cheap is one thing Ziegfeld wasn't. Cheap is one thing this show is. What a way to spend, so they claim, £4m. In a prologue, Len Cariou, the Broadway star of *Sweeney Todd*, censors a biographical Ziegfeld script, tearing out pages about his apprenticeship with Buffalo Bill's Wild West Show and his association with Sandow the strongman. His sidekick and gofer, Geoffrey Hutchings, backs off while Cariou as Ziegfeld proposes his own version as a Follies in itself.

This is peculiar, because all that transpires is that Ziegfeld envisaged his Ideal Woman in the factory of his revues while lighting up with lust at the sight of any girl he met in the canteen or backstage. He was, it seems, a psychopathic bonker. His showbiz concoctions take revenge, first wife Anna Held (beautifully played and sung by Fabienne Guyon) and her successor, the long-suffering Billie Burke (even more beautifully played and sung by Haydn Gwynne) upstaging him with torch songs in the style of Ruth Etting and Helen Morgan.

Alastair Muir

Len Cariou as Ziegfeld

The show, scripted by Ned Sherrin and Alistair Beaton, has nothing of interest to say about Ziegfeld, and Joe Layton's ponderous production even less about recycling or re-animating these styles, these sketches and songs. Innovation rears its ugly head in the second half, when a Fragonard landscape of farmhands and pantomime cow pumps milk into Anna's bathtub, a witty pay-off to the earlier publicity skit.

Otherwise the evening is a sad litany of disconnected items trying to pass itself off in the shadow of a dead tradition. At the start, Ziegfeld girls float awkwardly across the stage to their signature tune, Berlin's "A Pretty Girl is Like a Melody." But bad wigs, creased body stockings and wilting feathers, all displayed against a garish metallic rainbow, lower the tone irrevocably.

In a Spanish restaurant, Mr Hutchings now reduced to playing a deeply unfunny waiter who's seen our Flo with other girls on other nights, produces the menu in front of a great ruched and brocaded skirt that flies out from a lampshade girl up to the flies.

The trouble is the pulleys and bolts are all visible. Bits drop off Theoni Aldredge's costumes, Robin Don's sets valiantly suppose we cannot see desperate stage management tucking them in or that another blast of perfumed dry ice won't get up our noses. Come the Wall Street Crash – Ziegfeld died in 1932, $1m in debt – a jazz ballet to Duke Ellington's "Hot and Bothered" (nothing to do with Ziegfeld) incorporates a Busby Berkeley-ish roulette wheel of girls on a green baize of old-hat and ill-executed Gene Kelly style choreography.

There is no fresh look at this stuff, at this era of showbusiness, and the overall effect is of wanting to diminish the legendary impresario by betraying his standards. It is cheap and slick to show Ziegfeld at his second wedding – the scene here resembles a plastic cave of stalactites infested by Little Bo-Peeps – dumping his bride in favour of the girl in the cake, even if she is the limber-limbed and exotically refreshing Amanda Rickard.

Songs of Coward, Kern and Gershwin lighten the load, all of them reduced in context, but Messrs Sherrin and Beaton have at least struck a few sparks in the marital Planetarium, ("I'm top planet, I am Jupiter, All the others are much stupider"). The most promising sequence is the mock-Japanese one of red feathers and butterfly geishas suspended over the front stalls. Nothing, nor dull old Mr Cariou, can follow that.

The Merchant of Venice/Barbican

Martin Hoyle

Bill Alexander's production takes Shakespeare's version of a Black Monday on the Rialto at face value and then some. There is no softening, no attenuating; hatred is naked and barbaric. Shylock is pursued by jeering urchins, jostled, beaten. Violence seethes under the surface and the Christians often have to be restrained from using their swords on a breed plainly considered contemptibly sub-human. Shylock responds with an oriental ferocity that turns to frenzy at "Hath not a Jew eyes?" and a religious near-trance as he prepares for blood-letting.

Shylock is a full-blooded Asiatic. Antony Sher's bright robes and flashing eye recall Holman Hunt's biblical canvases at their most dreamingly hallucinatory. The exotics are generally more colourful than the Christians: Jessica (Deborah Goodman) in vivid green, and the blue and white of the scimitar-swirling Morocco (Hakeem Kae-Kazim: finely judged comedy – not the grotesque we often get) are marked out as aliens by Andreane Neofitou's costumes.

Kit Surrey's set, the star of David scrawled on a flaking back wall, is spanned by a bridge less of sighs than catcalls from an obtrusive crowd of cackling hooligans. Their blood-lust up (no matter *whose* blood – bigotry is forgotten with a drop of the red stuff in sight), they make a formidable accompaniment to the trial scene, but otherwise goon-like laughter is a miscalculation.

This city of swirling mists and scuttling, malign homunculi is patently the ancestor of Nicolas Roeg's Venice in *Don't Look Now*, but much nearer the Levant. Mr Sher's Jew was much praised at Stratford last year. It is much a technical *tour de force* as most of this actor's performances. The production simplifies the issues: take him for what he is, vengefulness, pain, pride, incredulous exhaustion and all. Ultimately I was unmoved though fascinated, having never got beyond the gleaming, aggressive externals of the character.

Nicholas Farrell's good, straightforward Bassanio looks enough of a gentleman not to understand the passion of Antonio's kiss (echoes of Germaine Greer's recent remarks on the basic homosexuality of the English). Deborah Findlay makes a sharp Portia, drawling at Belmont and boomingly impressive in court, though not avoiding a principal boy panache; convincingly intelligent and not such a smartypants as some.

The long lyrical effusion with which Shakespeare seems to wash away the bitter taste of what has gone before is here slightly wishy-washy, as Lorenzo is another of Paul Spence's winsome wets. Phil Daniels has a game shot at Lancelot Gobbo (an uphill task): this young actor has an incisive vividness usually called Dickensian, but promisingly Shakespearian as well.

John Carlisle's Antonio is potentially the most interesting character on stage – the look of brusque distaste at his saviour is notable – but nothing can make the triumphant crowing of Graziano palatable, not even Geoffrey Freshwater's playing of him as a young and slim Roy Hattersley.

Theodora/Elizabeth Hall

David Murray

We are in mid-Handel Festival, the eleventh in the annual London series instituted by Denys Darlow. This year it boasts connections both with the 250th anniversary of the Royal Society of Musicians – Handel was an early member – and with the South Bank's tenuous "End Games" theme (late works, more or less): *Theodora* was his last oratorio but one. Most of the festival is presented in St. George's, Hanover Square, but the scale of *Theodora* justified a South Bank performance with notable young principals on Tuesday.

Conducting the excellent London Handel Choir and Orchestra (original-type instruments), Darlow was generally scrupulous over details, slack with the drama: *Theodora* deserves more, even if it was to be trumped ultimately by *Jephtha*.

It is no secret that Handel contrived his late oratorios in place of operas, which had become commercially risky; the dramatic sequence, without the costly theatrical trappings, still remained a central concern. Though Darlow hustled the recitatives along admirably and brought several quick numbers to excited life, he allowed too many inert concert-pauses when an unhesitating pounce forward was called for – and I thought he misread altogether the function of the solo-with-chorus with which each of Handel's three acts ends. The result, despite good archaeological intentions and some keen solo singers, was more like old-fashioned stodgy Handel than a stripped-for-action revival.

Thomas Morell's libretto for *Theodora* is a bizarre 18th-century confabulation about a prissy Christian martyr to gross Imperial Roman ways. Chaste Theodora piously refuses to go to a party in honour of Jupiter and (more importantly) Venus, and the Romans vindictively sentence her to prostitute-status. Death seems to her a wholly satisfactory alternative; a devoted young soldier-convert – counter-tenor, naturally – manages inadvertently to secure that for both of them. The Chorus celebrates this gravely as a triumph of (sexless) Love over Death, with the implication that there is something deeply Christian about it.

Neither the choral morals nor Theodora's own declarations were made robust enough to clinch the dramatic action. Nancy Argenta's soprano heroine combined liquid, appealing timbre with limp tempi and (except in recitative) toothless delivery, which seemed to run precisely counter to what Handel had in mind; the various choral summings-up, despite Margaret Cable's committed prefaces, were bracketted off like pious marginalia instead of sweeping in to drive final points home.

We had to be content with individual flashes: Michael George's vigorous if blustery Roman "president," John Mark Ainsley's bland but spotlessly elegant singing as the Decent Pagan, and Michael Chance's incisive, virile counter-tenor convert. Thanks to them, one could imagine how a thoroughly fervent *Theodora* might sound.

Giroflé-Girofla/John Lewis

Rodney Milnes

As a composer of operetta, Charles Lecocq (1832-1918) fell creatively between Offenbach and Sullivan, his heyday coming in the 1870s after the best of the former and significantly foreshadowing the latter. If his melodies lack the sheer inevitability of those of his rivals, if his instrumentation, while more inventive than Offenbach's, just misses the Euro-distinction of Sullivan's, if the anarchic hedonism of the best 19th century operettas is absorbed into the bourgeois safety that his post-1871 audiences needed, he remains a distinctive and individual composer. He has a nice turn of uneven phrase-lengths, and his scrunchy harmonies are altogether "naughtier" than Sullivan's.

The John Lewis Partnership Music Society's performance of *Giroflé-Girofla* (Brussels, 1874) reminded us – as have so many of their productions – of the wealth of delightful entertainments that lies hidden in the European operetta repertory. Would that we had a *Volksoper*-style company to give them regular airings. The performance also pointed to an international *lingua franca* in operetta: situations not only echoed Offenbach's (a Spanish setting and a drunk song for the heroine) but showed how assiduously Gilbert raided the treasure-house of French operetta for his plots: here we have a band of comically marauding pirates (their music actually funnier than Sullivan's), a chorus of bridesmaids, a pair of indistinguishable identical twins, and a Don Bolero d'Alcazaras – nearer in character, however, to the Duke of Plaza-Toro than to Gilbert's Grand Inquisitor.

The insane plot revolves around the twin sisters of the title, *Ring Round the Moon*-fashioned by a single soprano, one of whom has to marry two men when her twin is abducted. It is saucier than anything Gilbert risked, though the use of a 19th-century English translation full of hot-and-cold-running puns (entrancing) ironed out the difference. The production, dazzlingly well designed by David Short, was by Tom Hawkes, who alone today seems to command the style of staging this sort of froth with wit, affection and the right feel for parody. The pacing alone made the efforts of some of our national companies in this direction look distinctly flatulent.

He was fortunate with his expert cast: Bernard Dickerson first-rate as the dithering Don Bolero, David Turner deliciously self-satisfied as the tenor hero, the Partnership's Alan Patient as the fierce Moor who unexpectedly gets to sing a Polonaise, and above all Fiona Cameron in the title roles. This young s'Hertogenbosch prizewinner has a mettlesome, sparky soprano with a golden edge to it, excellent diction, a most winsome way with musical phrase, and all this allied to a lively stage manner and the looks of a young Margaret Price. She should go far.

Derek Carden was in charge of the expert though anonymous orchestra, and the Partnership Chorus struck its best form for years. 150 minutes of pure pleasure. There are further performances tomorrow and Saturday.

Simplicity/Northcott, Exeter

B.A. Young

Lady Mary Wortley Montagu, 18th-century lady of letters, wrote *Simplicity* probably in 1734. This was the year she heard Marivaux's *Le Jeu d'amour et du hasard*, which was her model. She has retained his plot almost unchanged, but she has not only translated the lines but the characters. What we now see is a provincial household as English as could be. This production, by the Northcott in collaboration with Co-producers, is almost certainly its first, for the play, unseen in Lady Mary's lifetime, has been unexpectedly found among her papers at Columbia University.

It is a simple tale. Sir John Hearty suggests to his daughter Belinda that when her proposed husband Gaymore comes to meet her, she and her maid Lucy should change places, for he has been warned that Gaymore is to change places with his footman William. Thus they can get a clearer view of their prospects. Naturally Lucy falls in love with William, believing him to be Gaymore, and Belinda would fall for Gaymore if only he were not a footman.

The possibilities for error are happily pursued, and the play tells a lot about class-distinction in 18th-century England. The happy end is reached without complication. But lest we are disappointed at such an obvious outcome, the company remain on the stage and exchange a selection of gossip from Lady Mary's letters, written in much the same style as her dialogue – a foretaste of married life among the Heartys and the Gaymores, perhaps.

The company, directed by Sonia Fraser, rides the dialogue as if it were the language of every day, even Joanna Hole as Lucy, who speaks naturally of "such heterodox notions" to her mistress. Elizabeth Rider, who at the start of the evening reads some of Lady Mary's delicious letters to her intended, plays Belinda as if she and Lady Mary were one. Jonty Stephens has some good lines as pseudo-Gaymore William – "We have orders to love one another and we were just about it," he tells Belinda's brother Ned when he is interrupted – and a good song that he and Lucy sing enchantingly.

Christopher Villiers has to keep Gaymore dignified, however ludicrous his antics, and he does not seem very lovable in consequence. Norman Bowler and Tim Wallers are the male Heartys, a credit to the English upper class.

There is a charming, modest set by Meg Surrey, flanked by pillars downstage and backed by curtains and a misty landscape; a male statue on a plinth keeps an eye on the behaviour. Its modesty keeps the set ready for the variety of stages it will have to grace, for when the Exeter run finishes the production will move to Lincoln, Cambridge and then three more lucky theatres.

Arts guide

April 22-28

Exhibitions

WEST GERMANY

Berlin, Martin-Gropius Bau. The first complete show of Joseph Beuys' (1921-1986) works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1980s based on a cycle, The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stresemannstrasse 110. Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef Albers' birth, 100 paintings of the artist, born in Bottrop, cover the full range of his work. Ends May 5.

AMSTERDAM

Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewelery, weapons and furniture. Ends June 19.

Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

Rotterdam, Boymans-van Beuningen Museum. The textiles of Norlene and the glass artistry of Lino Tagliapietra inspired By the Light of the Lagoon and the tradition of Venetian craftsmanship. Ends May 23.

The Hague, Gemeentemuseum. A lavish exhibition tracing Mondrian's development from figuration to abstraction, with 70 paintings and drawings from the late New York period, on loan from the Sidney Janis collection. Ends May 29.

PARIS

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still life by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft, impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, the couple, the man. (42 77 12 33). Ends May 16.

Centre Georges Pompidou. Marc Chagall. Forty-six paintings, 406 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. From his beginnings in Russia to his last years in the South of France, aloof from the many avant-garde movements of his time, he remained the painter of poetry, dreams and mysticism. The public thus has a preview of the donation in which the strength of line of his drawings is matched by the glory of colours in his paintings. (42 77 12 33). Ends June 5.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon. Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers – there are the two versions of La Classe de Danse – and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. Oils and pastels, drawings and engravings, photographs and sculpture complete the vision of daring and invention of the painter who helped to usher in modernity. (42 56 09 24). Ends May 16.

VIENNA

Austrian Museum of Applied Arts. The Kunst und Revolution. A rare opportunity to see Russian and Soviet art from 1910-1932 under one roof. There are marvellous paintings by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre and post-1917 posters. It conveys the creativity and energy, expressed in the suprematist movement (1913-1915), the Inchuk group of artists based in Moscow (1920-1924) and the constructivists (early 1920s) – movements suppressed by Stalin in the late 1920s. Ends May 15

Kunstlerhaus. After the highly successful Dream and Reality exhibition which looked at fin-de-siècle in Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). This large exhibition is suitably called The Middle-class Mentality and the Spirit of Revolt: Biedermeier and pre-March in Vienna. Probably the term revolt is a bit of misnomer. Unlike other European countries, the Austrians never had their great revolution. Ends June 12.

Secession. It is worth seeing how this building has been restored and the small but fine exhibition of lithographs and drawings by George Eisler, one of the few artists who returned to Austria after 1945. The collection focuses on Eisler's book illustrations. Ends May 15.

Rathaus. Vienna City Hall is commemorating the Anschluss, the German annexation of Austria in 1938 by a large and courageous exhibition showing how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

Kunstraum, Messepalast. Alfred Hrdlicka, Austria's leading sculptor, celebrates his 60th birthday with an exhibition of his work, all carved in stone: Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

Historisches Museum, Karlsplatz. The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 136 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes, as well as paintings like The Fête at St Cloud and The Seesaw.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Laforet Museum. Crafts from India. Textiles, sculpture and other craftwork, mainly from the colourful states of Gujerat and Rajhastan. Ten master artisans from these states will be giving live demonstrations of their work and all the works are for sale. Ends May 1.

Tokyo, National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. This exhibition gathers important pieces from collections in East Germany. Closed Mondays. Ends June 12.

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Ends June 5

Ota Memorial Museum, Harajuku. A peaceful haven amid the hustle and bustle of one of Tokyo's trendiest districts. This month and next: a representative selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. On loan from the Peter Morse collection in the US. Closed Mon. Ends April 27

Teien Museum, Meguro. Art Deco Glass by Rene Lalique. This former imperial residence has one of the finest Art Deco interiors in the world. Among its many treasures is a set of glass doors with relief figures of winged goddesses, designed and made by the master of Art Deco glass, Rene Lalique (1860-1945). The current exhibition is a perfect match. It consists of about 200 examples of Lalique's work, from private collections in Japan and overseas. The quality is uneven, with the notable exception of pieces loaned by Lalique's grand-daughter, but the setting is unparalleled. Ends May 29.

Seibu Yurakucho. Indian Court Costumes. Described by one New York reviewer as "by far the most dazzling, opulent and beautiful show mounted in recent years." Costumes from the collections of 12 former princely states. Ends May 10.

Saleroom/Antony Thorncroft

Records for Scots

Sotheby's surprised surprised itself at Hopetoun House, near Edinburgh, on Tuesday evening when it secured an extraordinary record price for a painting by the Scottish artist Samuel Peploe. His Fauvist influenced still life of peonies and fruit, painted pre-1914, sold for £127,600 to a London dealer. The price was way ahead of the £40,000 top estimate and the previous best for a Peploe of £84,840.

Another of that gang of four who live on as the "Scottish colourists," all working in the early years of this century, Francis Cadell, also set a new high, of £44,000, for a 1910 impressionistic view of St Mark's in Venice. The top estimate had been £20,000 and the previous best for Cadell, £35,200.

You either love or hate Edward Atkinson Hornel's rather Japanese pictures of little girls messing around with flowers. All his work is the same but there is enough demand to secure prices of £26,200 and £19,800, both above estimate, for paintings of little girls messing around with flowers.

The auction totalled £578,000, but there was little interest in minor pictures. Sotheby's takes the opportunity, one of its three auctions in Scotland each year, to off-load items of local interest. A silver mounted sealskin sporran plus a Tam O'Shanter made £352 and a silver mounted horn snuff mull, of the mid 19th century, £440.

Meanwhile, in New York, the Andy Warhol auction rumbles on. Tuesday was not a key day but five wooden figures of female sportswomen, made in France around 1920, sold for £11,410, ten times their estimate, and among the fun items, six menus from the opening night of the Trisha Brown company at the Palladium in 1985, with a cover illustration by Rauschenberg, sold for £410; a group of very nondescript cooking, health and beauty books, made £205; and a TV script by Truman Capote, with an inscription, £410.

Four hundred auction catalogues, mainly Sotheby's and Christie's, realised £819; a French Paisley shawl, £2,165; a leather and 18 carat gold belt, for men, £1,814; and a Tiffany pen and matching gold pencil, £556.

A magnum of Chateau Mouton Rothschild 1945 sent by Alfred Hitchcock to a friend sold, with card attached, for £1,485 at Sotheby's in London, double its estimate, while a dozen bottles of Chateau Petrus 1947, was at its low estimate, making £4,400.

A 38 bore percussion rifle made around 1868 by Charles Lancaster of New Bond Street for the Maharaja of Jodhpur sold for £29,900 at Christie's South Kensington yesterday in an arms and armour sale. There is a great scarcity of good armour and a composite cuirassier armour, made in Germany in the early 17th century but with an Italian helmet of around 1570, almost doubled its estimate at £7,1250.

FINANCIAL TIMES

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Thursday April 28 1988

Battle for Rowntree

IT IS HARD not to sympathise with the management of the British confectioner Rowntree. Here, after all, is a group that has invested for the long term in a portfolio of successful brands. It has made painstaking efforts to promote those brands in foreign markets and is beginning to reap the benefit in terms of greatly improved profits. Yet in the aftermath of a dawn raid by Suchard and a contested bid by Nestlé it looks likely that the rewards of this carefully laid strategy will go to a foreign bidder.

The tale is a familiar one in the relatively liberal environment of Britain's capital markets. But sympathy must be tempered with realism. The risk of a hostile takeover is the price that management pays for access to capital; once the rules of the game have been accepted, it is unrealistic to expect investors to stump up for rights issues while simultaneously offering unconditional guarantees of corporate independence. And it would be unfortunate if a chauvinistic backlash against a Swiss bidder were now to colour the judgment of a somewhat nationalistic Conservative Government on whether to refer Nestlé's bid to the Monopolies and Mergers Commission.

Admittedly, the Swiss are conspicuously illiberal in preventing foreigners from bidding for their own quoted companies. Yet the British can scarcely afford to insist on reciprocity when they have so much at stake in maintaining free access to other capital markets, especially in the US.

Multinational talks

That is not to say that enhanced access to the Swiss market is an undesirable goal. But it is best tackled in multilateral negotiations at European Community level. And the basis on which the Office of Fair Trading and the Secretary of State for Trade and Industry should make their recommendations and decisions should continue to be related primarily to competition.

On the face of it, granting control of Rowntree to Nestlé would scarcely make a dramatic difference to the degree of competition in the market. At present Cadbury Schweppes, Rowntree and Mars dominate, with a probable joint market share of around 80 per cent. With only two to three per cent of the market and a single successful brand to add to Rowntree's market share, which amounts to 36 per cent on one independent estimate, Nestlé does not stand to increase the degree of concentration unduly. Nor does the present polarisation in the industry appear to have led to a cosy market situation, despite the heavy deterrent to new entrants imposed by the high cost of developing new brands. The three main players compete fiercely on price and weight, with the unquoted, US-owned Mars group applying considerable pressure to its quoted UK competitors. At the same time big retailers enjoy notable leverage over the confectioners who supply them.

Relaxed view

It could be argued that, by buying an existing company, Nestlé would be reducing potential competition, since it would no longer be building up brands from scratch. But in practice the Swiss group's earlier failed attempts to carve a larger share of the market mean that the big three have been able to take a relaxed view of the threat. Indeed, the present bid might well be construed as a final admission of defeat.

In the context of the EC the combination of Rowntree and Nestlé would doubtless throw up a significant, if smaller, overall market share than in Britain. But only in France would the combined share come anywhere near the British level. And while foreigners now enjoy a majority market share in chocolate confectionery in West Germany, France, Austria and Belgium, they are not finding it easy to translate that position into big profits. Rowntree is a case in point, for while it trumpets its recent profits improvement in continental Europe, margins there are still well below their level in the domestic market.

The Office of Fair Trading will examine the likely effect of the proposed merger on the behaviour of the industry, but it would be surprising if concern about competition was sufficient to justify a reference to the Commission.

Lessons of the ITC judgment

CREDITORS of the International Tin Council, which collapsed in 1985, suffered another defeat in the Court of Appeal yesterday. Two of the three judges rejected the creditors' case although all three disagreed on essential points. Of the two holding the member states liable under international law, only one, Lord Justice Nourse, would enforce the creditors' claims. This judicial disunity leaves metal traders, banks and the Inland Revenue with a loss totalling some £900m.

An even greater damage may be done to the London market by the realisation that English courts cannot or will not enforce debts or other obligations falling on governments in consequence of trading operations of national or international agencies owned and controlled by them.

Limited liability

The principle that all partners trading under a common firm are individually responsible to the firm's creditors for its unpaid debts is entrenched in the domestic laws of most countries and, as two of the three appeal judges held, in international law, where it applies to international business partnerships of states.

If private traders wish to limit their liability they have to pay for the privilege by observing strict rules of disclosure and proper accounting. Even so the directors of limited companies can be made personally liable to creditors if they bring their company into insolvency by recklessness or dishonesty. Recent legislation has tended to tighten rules made for the protection of creditors.

Ten years ago Parliament removed sovereign immunity from governments engaging in trading activities. Yet English judges still seem to find it difficult to treat trading governments in the same way as private traders. In spite of the approach adopted by Parliament, concepts survive from a time when governments entered the markets only exceptionally and sovereigns formed an international community of their own, often linked by dynastic ties.

Not only have the old time sovereigns disappeared. They were in a large part of the world replaced by governments operating command economies and maintaining a strong presence on world markets, often by means of a governmental monopoly of foreign trade. State trading dominates the foreign trade relations of communist and many third world countries. Private traders are at a commercial disadvantage when competing or dealing with monopolistic state traders. There is no need to make the situation of private traders and banks still worse by absolving trading governments from the obligation to pay the debts of their agencies, national or international.

Yesterday's ITC judgment is the latest in a series of decisions which have considerably weakened the impact of the State Immunity Act, 1978. These decisions are binding on lower courts and on the Court of Appeal itself. If the Law Lords confirm the tenor of the Court of Appeal and leave banks and traders without redress against governments defaulting on their commercial obligations, it will be for Parliament to change the law as quickly as possible.

The 1978 Act should be freed from the restrictive interpretation placed on it by the courts. It ought to be made clear that governments wishing to trade in the UK with limited liability can do so only by incorporating their agency in the way prescribed by UK company law and complying with its provisions for the protection of creditors.

Perverse

Such legislative action may not seem immediately acceptable to the British Government which in the ITC case joined the other member governments in opposing the claims of creditors. Its reasons for doing so are difficult to divine, unless one assumes that it is willing to condone a perverse system of trading for the sake of friendly relations with certain governments. In that case Sir Geoffrey Howe, Foreign Secretary, ought to be reminded of his own dictum: "If the system is perverse, the law on which it is based comes into disrepute."

Peter Montagnon assesses the outlook for the US trade bill, caught between Congress and the White House

Row over the bill

THE TRADE policy now being pursued by the Reagan Administration is – according to Mr Bill Archey of the US Chamber of Commerce – the most assertive of any since the Second World War. But this week the Administration is in the curious position of preparing to veto a trade bill that basically endorses its own get-tough approach.

Late last night the Senate was due to vote on the bill amid wide expectations that it would pass by a clear majority, just as it did in the House of Representatives last week. This will provoke a certain veto from President Reagan who cannot stomach one key provision that has nothing to do with trade – a requirement for large companies to give advance notice of impending plant closures.

Yet the threat of a veto is hardly a consolation for Washington's trading partners; the consensus in Washington trade circles is that the bill, or something very like it, will probably still become law this year.

The bill is not protectionist in the classic sense of restraining imports. It aims, however, to expand US trade by forcing other countries to open their markets – a systematic approach to a policy hitherto pursued on a sporadic and ad hoc basis. Foreigners are alarmed at its potential for reinforcing the US tendency to deal bilaterally on trade problems, which they fear could increase the frequency of disputes.

The momentum behind this bill, or a similar substitute, stems from the strong bipartisan support built up in Congress for a piece of legislation that has taken over three years to prepare. And the Administration itself wants a trade bill in order to obtain a number of useful prizes, not least the authority to negotiate in the Uruguay round of multilateral trade talks.

Speaking on television earlier this week, Mr Clayton Yeutter, US Trade Representative, said it was "a big mistake" for the Democrat leadership to include such a non-trade issue as the plant closure provision in the bill. The US had a trade deficit of $171bn last year. It needed the trade bill now to help open foreign markets to US products.

Almost by accident over the past couple of weeks the plant closure provision has emerged as the key issue which could jeopardise the legislation. It is popular with the public, firmly supported by organised labour and detested by business which otherwise strongly supports the bill. The Democrat majority has latched on to it as an issue from which to make political capital whatever happens to the bill.

Its fate turns on whether Congress can muster the two-thirds majority required in both Houses to override the President's veto. Theoretically it has until the end of the year to do this, and if, as now appears increasingly likely, it succeeds, the bill will become law with the plant closings provision intact.

Mr Reagan is expected to cite some of the bill's other features – as well as the plant closure provision – in his veto announcement which is expected within the next two weeks. Privately, however, the Administration is indicating to congressional leaders that it would accept a bill minus this one provision.

Despite public warnings from influential politicians like Mr Lloyd Bentsen, chairman of the Senate Finance Committee, that this strategy might not work, there is an underlying feeling that such a deal might be possible, by transferring plant closures to different legislation, for example.

Although Mr Jesse Jackson's philosophy of economic nationalism has caught the imagination of the electorate, trade itself has not played well with voters in the primaries and there is a perceptible desire in Congress to have done with the three-year struggle to impose a tough trade policy on the Administration.

A view widely held in Washington is that the bill is far from being as protectionist as its foreign critics claim. "There's nothing in the bill which seeks to curtail imports," says Mr Alan Wolff, a trade lawyer and a former Carter official.

The bill requires the Administration to begin a whole series of studies on trade problems, says Mr Gary Horlick, a partner with the law firm of O'Melveny & Myers. As a result, he says, the Administration will become submerged under paper. "They'll be writing reports instead of doing anything. When you come down to actual action that wouldn't be taken otherwise, this will have very little effect."

Trade experts see the bill as the product of dissatisfaction with the laisser-faire approach to trade policy during the first Reagan Administration, which failed to respond when the trade deficit began to balloon. Now that the Administration has got tougher, Congress is trying to ensure that it sticks to its guns.

Thus the main thrust of the bill is to require the Administration to identify unfair practices and countries which indulge in them. It calls on it to negotiate these practices away under threat of sanctions. Special emphasis is placed on countries with large trade surpluses, and on certain issues like trade in telecommunications, intellectual property rights and government procurement.

Gone, however, in months of negotiation between Congress and the Administration are many of the bill's original overtly protectionist features, such as provisions for mandatory import relief, and a loose definition of subsidies designed to facilitate anti-dumping action. Though the leeway for presidential discretion in taking retaliatory trade action is less than before, it is still written into most, if not all of the bill's remaining controversial provisions. Even its proposed sanctions against Toshiba for selling sensitive technology to the Soviet Union are hedged about with exemptions.

Compared with present law on unfair trade practices, says Mr Archey, the bill is, however, undoubtedly tougher. Assuming it is finally enacted, its effect will certainly be felt around the world – not least, says Mr Archey, because it will force this and future Administrations to give much higher priority to trade where action has too often in the past been subjugated to the geo-political interests of the State Department.

That is where the problems of the outside world begin. The European Community has carefully avoided inflammatory statements in recent days that might kindle further congressional resentment, but officials in Brussels last week expressed concern that the bill gave the US too much latitude to determine unilaterally which foreign practices were unfair.

According to Mr Yoshiyi Nogami, Economic Counsellor at the Japanese Embassy in Washington, the basic worry is that "the US is extending long arms" into other countries' affairs. The bill might have built-in waivers to reduce the final likelihood of dumping actions, but, he says, it will unleash unwanted US investigations into the trade practices of others. And that, says Mr Nogami, could undermine the spirit of co-operation needed to deal with global payments imbalances.

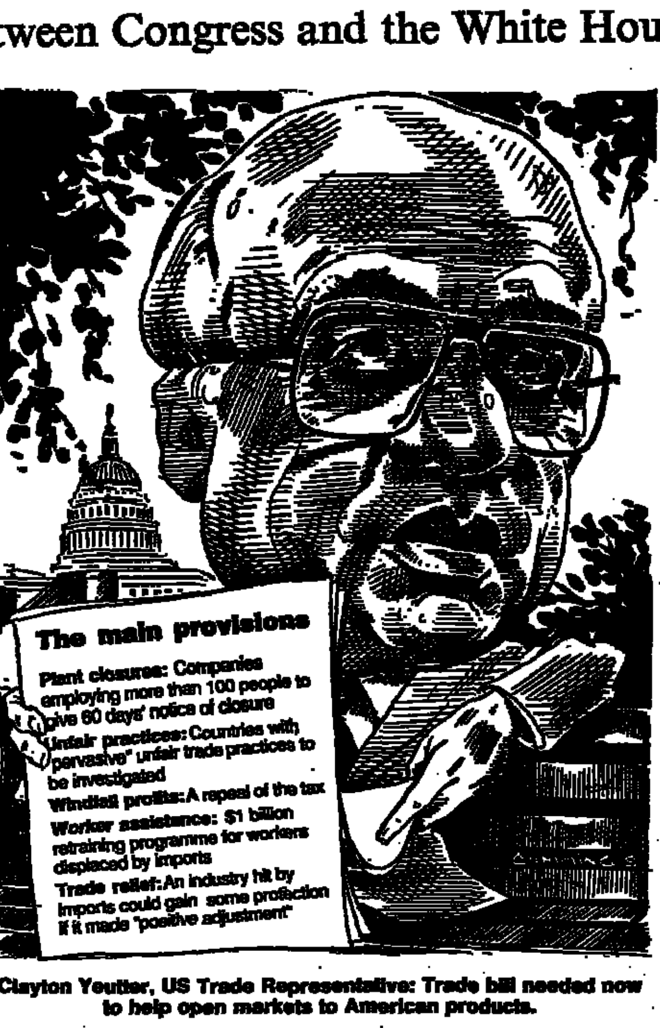
Japan has made it clear that it hopes the presidential veto will be sustained and the bill will die. Elsewhere the arguments are not quite so clear-cut. Mr Peter Lo, Hong Kong's Economic Minister in Washington argues that the bill contains almost nothing to worry a country which pursues a genuine free trade policy. The only practical point of potential concern to Hong Kong, he says, is a provision that could extend dumping actions to products assembled in the US or in third countries. This could hit a territory like Hong Kong which imports components that are then inserted into finished products for resale abroad.

Mr Lo says he does not like the tone of the bill, but is worried about what might happen if, against expectation, the veto is sustained and it dies. The Administration would lose the negotiating authority it has been seeking for the Uruguay Round – which would not stop the round but might well slow its momentum. Other positive features in the bill, such as the relaxation of export controls, would also disappear.

Privately some European officials say they would treat with understanding the Reagan Administration's failure to win its Uruguay round authorisation if the bill were successfully vetoed. At some stage before the round is completed in 1990 or 1991, however, the authorisation will be needed.

No one in Washington believes that, after a successful veto, Uruguay round authorisation would be granted unconditionally by a Congress that already feels it has made enough concessions to the free-trade lobby. That would mean a rerun of the whole debate, possibly against the background of rising unemployment and economic downturn.

"The Administration has negotiated from the point of view a very decent bill," says Mr Wolff. And, in a reference to the disastrous 1930 US tariff that helped precipitate the Great Depression, he says: "This is not Smoot-Hawley." Next time round it might be a different story.



Clayton Yeutter, US Trade Representative: Trade bill needed now to help open markets to American products.

THURSDAY BOOK REVIEW

The Challenge: Economics of Perestroika

By Abel Aganbegyan
Hutchinson; Hardback £20.00
Paperback £8.95

THE Russian bear has become flabby and must follow an entirely different way of life. So argues Abel Aganbegyan, who, as chief economic adviser to Mr Mikhail Gorbachev, the Soviet leader, must be presumed to know what he is talking about.

Perestroika is important, asserts the author, because there is no alternative. The most telling chart shows that growth in national income fell from 41 per cent in 1966-70 to 16.5 per cent between 1981 and 1985. The author suggests things are really far worse because official indices understate the rate of price increase. With this correction, there was no growth in the 1981-85 period.

How is this poor performance explained? Between 1971 and 1985 two thirds of economic growth was due to the growth of resources. Unfortunately, that growth has been declining. Meanwhile, efficiency of resource use has only improved by between 7 and 8 per cent in the successive five year periods. The solution is to improve the growth of efficiency.

Improved efficiency will follow from the introduction of a socialist market economy. Aganbegyan argues, however, that past reforms failed because "these attempts were not undertaken on a genuinely democratic basis and did not establish democracy as necessarily the most important phenomenon in the transition to self-management." The attitude to democratisation is, however, peculiarly Soviet. The people are simply being ordered to act independently.

Perestroika is defined as "a transition from an economy of shortages . . . to an economy of social production, oriented to the satisfaction of social needs, working to the demands of the consumers and ending all shortages." Thus "in the new system of economic management prices become a basic point of reference."

At present 500,000 prices are set annually by the Committee for Prices. Following the reforms, its responsibility would be limited to a few key prices. Moreover, by 1992 between 80 and 90 per cent of production is to be allocated through wholesale trading.

The changes would fall far short of a move to a capitalist economy, since there is to be no market for capital, labour or land. Nevertheless, in the Soviet context the proposed changes may be more radical than the author wishes to admit. For example, he notes that: "It may transpire that substantial differences in the level of wages among different enterprises will occur."

In this newly competitive economy the scientific resources of the Soviet Union are to be linked more closely to production. Investment is to be reallocated and made more efficient, while – most radical of all – the country is to be opened to trade.

When enterprises are "independent, self-accounting, self-financing and self-managing", what will be left for planners? They will set "proportional norms" for enterprises (effectively, rates of taxation) and a number of key prices. They will also provide an indicative plan for the economy. Will they really accept these poor substitutes for their present power over the allocation of resources?

Planners are not the only people the reformers will have against them, since consumer subsidies are to be cut substantially. "This raising of prices is to be realised in a democratic way, after consultation with working people and after full compensation." How this will work is far from obvious.

The transition is likely to be painful, but Mr Gorbachev has luck on his side in the shape of the inefficient economy he has inherited. Even a half-baked reform ought to raise national income quite swiftly. Assume then that the new system will be introduced. Is it workable in the longer term?

One difficulty will be the reallocation of capital among enterprises. It is unlikely to be efficient for profits to be reinvested in existing firms. So planners are likely to want to impose higher taxes on the more profitable enterprises. But that would recreate one of the major problems of the present system: the penalisation of the most competitive firms.

Still more problematic are wages. For example, if firms are self-managed, there is usually an incentive to maximise the average income per worker, which diminishes the willingness of successful firms to expand employment. With the considerable increases in productivity envisaged, how is open unemployment to be avoided?

Perhaps the most significant difficulty of all is how to ensure the death of failing firms. Without bankruptcy there is no budget constraint and competition becomes meaningless. The risk is that the Soviet Union will lose the urgency given, however incompetently, by the commands of the state, while not gaining the competitiveness of a capitalist economy.

Should we wish Mr Gorbachev success in this endeavour? There is little question that it will keep the Soviet Union busy for a while. Moreover, the decisions of China and Moscow to embrace market-oriented reforms are a victory for the West. Instead of being buried it is being paid the supreme compliment of imitation.

None the less, it is far from self-evident that success would prove palatable. Academician Aganbegyan envisiges the growth rate of national income rising to 5 per cent a year, with the Soviet Union catching up with the national income of the US by the end of the century. Such success may be unlikely, but what if it happens? A fitter bear could prove as uncomfortable a neighbour as the flabby one with which we are now familiar.

Martin Wolf

OBSERVER

Diplomats at Somerville

■ Catherine Pestell, a senior diplomat at the Foreign and Commonwealth Office, is to be the new Principal of Somerville College, Oxford. She will succeed Daphne Park, herself a former diplomat who served in such diverse places as Moscow, Kinshasa when it was still Leopoldville, Hanoi and Ulan Bator, in October next year.

Pestell's career has been more conventional, including a spell as Minister (Economics) in Bonn, some time at the OECD in Paris and secondment to the Cabinet Office. She was, however, Counsellor in East Berlin in the days before that was a run of the mill appointment, and very enterprising she proved to be.

Pestell is presently assistant under-secretary, public department, a slightly obscure title which covers information, visas and the external services of the BBC among other matters.

She thinks that she was headhunted for the job, though it may have helped that she had a sabbatical at St Antony's in 1974. Pestell was educated at Leeds Girls' High School and St Hilda's, which along with Somerville is the only Oxford College not yet to admit men.

The Leeds school connection with the Foreign Office is striking. It has supplied three senior current diplomats to a department still dominated by men: Pestell, Mariot Leslie – a young First Secretary, and Pauline Neville-Jones, who succeeded Pestell as Minister (Economics) in Bonn.

Lord Sean

■ Lord Sean Manchester surfaced briefly yesterday to say he was not the bogus Lord Manchester who ran up bills passed on to the Duke of Manchester in Los Angeles recently (see yesterday's Observer).

Lord Sean said he only used the title in a "romantic sense" when he was dressing up for a pageant. He did, however, insist there was a bit of Lord Byron in him "from an illicit liaison of my great great great grandmother who produced a child of his on the wrong side of the sheets." This leaves at least one Lord Manchester still unaccounted for.

"Today Smarties . . . tomorrow the world."

English judge

■ Sir Gordon Slynn looks set to become the first English judge at the European Court of Justice in Luxembourg. Slynn will succeed Lord Mackenzie Stuart, the Scot who has been at the court since Britain joined the European Community in 1972.

The distinction between an Englishman and a Scot may seem a fine one in the European context: the appointment is, of course, British. But it is a fact that most of the British cases that go to the court arise out of England, not Scotland, and it will be interesting to see how an English judge copes.

Slynn, of whom everyone seems to speak well, is currently an Advocate-General at the court. In the late 1960s and early 1970s he was the British Government's chief lawyer, a post known in the profession as the Treasury Devil. If he had returned from Luxembourg, he would have had glittering prospects at home. But his wife is French and he likes the Continent.

In his role as Advocate-General he is likely to be succeeded by Francis Jacobs, Professor of European Law at the University of London.

Real survivor

■ End of an era at Trafalgar House: Geoffrey Carter, one of the original entrepreneurs when Sir Nigel Broackes set out on the programme of diversification in the late 1960s, has made it to retirement.

Carter will remain on the board and is being rewarded by being appointed non-executive chairman of Grosvenor Developments, which looks after the Westminster estate.

Panda flies out

■ London Zoo is to release Chia Chia, the giant panda, for a new life at Chapultepec Zoo in Mexico City with no strings attached to the deal.

The gesture is breaking the mould in the rent-a-panda business plied by China with the West. China no longer parts with its giant pandas, but for $500,000 it has been possible to rent one from a Chinese zoo for 100 days.

In the US a crowd-pulling panda can easily double the original investment. The business started between zoos, but now supermarket chains, fair grounds and exhibition centres all participate.

With possibly less than 1,000 pandas left in the world, conservationists argue a single panda on loan is unproductive and, as David Jones, director of London Zoos, explained yesterday: "Our main aim is to get all the adult females pregnant as quickly as possible."

Chia Chia was turned down when first offered to Mexico because their successful mating pair Pe Pe and Ying Ying, with four offspring, were running out of room and there were no funds for a new house.

So after leaving London in August Chia Chia will stop off at Cincinnati Zoo for three months to earn enough in appearance money to build a grand new house for himself and his adoptive family. The break will not affect his chances of fatherhood since female pandas only come into season for four days – always in the spring.

Chia Chia came as a gift from China to the former Prime Minister Edward Heath in 1974.

Beaver-hatted

■ Peter Newman, the historian of the Hudson's Bay Company, sports a top hat made of beaver.

Newman is in London for the publication of Caesars of the Wilderness, the second volume of his company trilogy. Beavers figure prominently. When the British Crown granted the original rights to the Company, there was a kind of token rent whenever the British sovereign visited Canada, he or she was to be given two elks' heads and two black beaver skins.

Queen Elizabeth II asked for the practice to be changed in 1970. She wanted live beavers, so that she could give them to zoos. The elk's heads can be found in numerous royal residences.

Beaver top hats are now rare. The process of making them involved the use of mercury vapours, which did funny things to the producers. Hence, according to Newman, the origin of the expression "mad as a hatter".

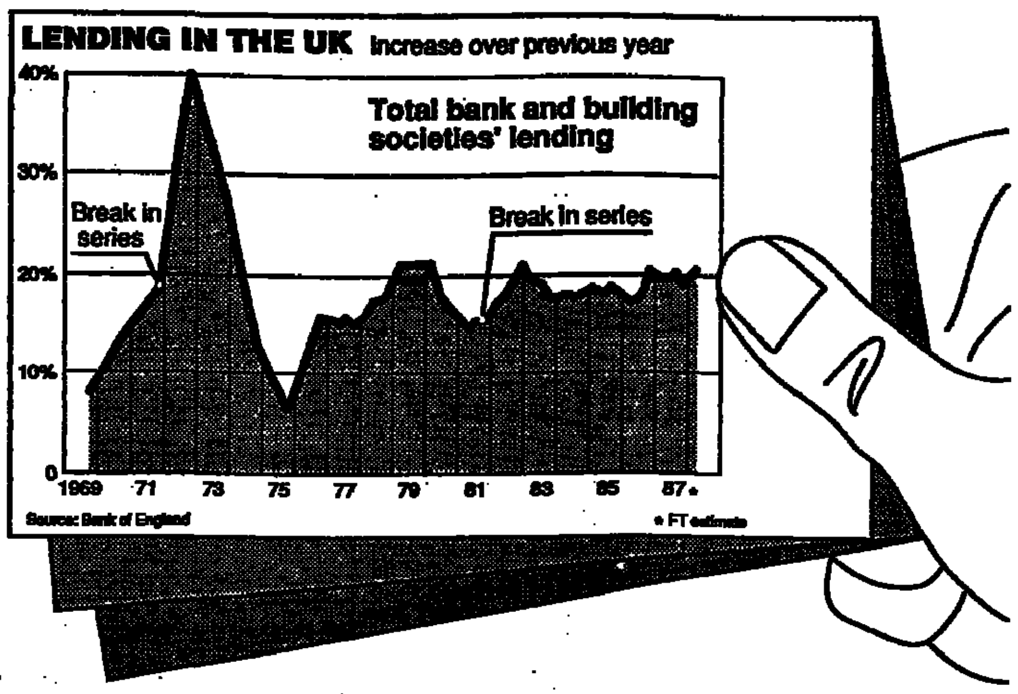
In debt to Rooke

■ Cecil Parkinson, the Energy Secretary, is having problems with his eyesight. The other day he had to borrow a pair of spectacles from Sir Denis Rooke, the chairman of British Gas. It must be the first time, said Parkinson, that Rooke has loaned anything to a Government minister.

ECONOMIC VIEWPOINT

The very murky pool of debt and credit

By Samuel Brittan



DEBT AND CREDIT give rise to much popular interest, fear and superstition. But they have been subject to less economic analysis than other related subjects, such as money and macroeconomic management.

Tim Congdon's new book, *The Debt Threat*, (Blackwell: £25 hardback; £8.95 paperback) will, therefore, be extremely welcome.

My biggest uncertainty is about how much importance to attach to the arithmetical tautology which Congdon insists is the centrepiece of his analysis. This is the condition under which the growth of debt increases faster than the growth of income and eventually becomes unsustainable.

Starting from a position of balanced growth of debt and of income, debt will start to grow faster than income – and eventually lead to a debt crisis – if the rate of interest exceeds the rate at which income is growing. In that case, the only way in which debt growth can be contained is to run a primary surplus – that is, to have a surplus of receipts over income, before providing for debt service.

This result is neither as original nor as profound as Congdon supposes. If any outlay whatever continues to grow faster than national or personal income, it will eventually rise to monstrous proportions. The special feature of debt is the large compounding effect if interest arrears are allowed to accumulate or if debt grows faster than income.

How have debt ratios actually moved? Congdon's most comprehensive data relate to the US, and cover all debt owed by non-financial sectors, both public and private. Over the 40 years to 1981, the debt-income ratio was remarkably stable at around 1.4. Since then it has been shooting upwards and was approaching 1.8 by the end of 1986.

Congdon admits that it is very difficult to say either what a satisfactory debt income ratio is, or how quickly it can safely rise. The Japanese ratio of 2.4 is higher than the American and has been rising almost as fast. But the debt ratio clearly cannot go on rising for ever without becoming unsustainable.

The growth of debt-to-income and debt-to-export ratios has been especially fast in the middle income developing countries, where a debt crisis has been recognised since 1982. These countries, instead of obtaining net new capital resources from the industrial world are, on the contrary, now having to earn a current account surplus.

This is known in the jargon as a "negative resource transfer". The transfer is not, however, sufficient to prevent a backlog of interest payments being added on to the debt under so-called re-cycling agreements. Thus, the lending banks become increasingly unsure of the quality of their assets, which are subject to discounts of up to 50 per cent in the secondary market.

Where Congdon scores is in his demonstration that the growth of debt ratios has been closely linked with the large jump in real interest rates led by the US, in whose currency most less developed country (ldc) debts are denominated.

Real US interest rates shot up from a *minus* 0.7 per cent average in 1970-75 and 0.5 per cent in 1975-80, to well over 9 per cent in 1980-85. The shift to high interest rates was followed very quickly both by the ldc debt crisis and by the rise in the US Federal debt ratio, which reflected more than just Budget deficits.

Congdon's main explanation of the swing of real interest rates to the high extreme is the monetary squeeze applied by Fed chairman Paul Volcker from 1979 onwards. The squeeze raised nominal interest rates immediately while the reduction in inflation came with a lag. Moreover, the inflation of the 1970s left a legacy of distrust in the minds of investors who expected an interest rate premium to ensure themselves against inflation taking off once more.

There has, however, probably been a structural as well as a financial component in the rise of real interest rates. During the 1970s, there was a potential excess of world saving relative to investment, as newly rich oil producers found difficulty in spending all their income gains. By the 1980s oil producing countries had learned to spend up to the hilt, and world demand for capital was on the rise.

Since the mid-1980s US real interest rates have dropped to the 3 to 5 per cent range. But this is still a little in excess of the sustainable national growth rate; and there is a clear risk of interest rates being forced up again by Fed policies to contain domestic demand.

Until about a year ago the plight of raw material producers was even worse. For primary products prices were falling; and the implicit real interest rates they paid were over 18 per cent. Here is a common root of both the Third World debt problem and the private sector debt worries in the US farming, mining and oil producing regions.

The conclusion of Congdon's "central argument" is that something must be done to lower real interest rates. The innocent reader might expect a plea for cheap money or credit controls. It is not until the end of the book that the author reassures us that what he has in mind is a series of budget surpluses in the main industrial countries, together with anti-inflationary monetary policies which might eventually reduce the risk premium element in interest rates.

The recommended policies should help by raising savings relative to investment, although there is no guarantee that they will reduce real interest rates to any prescribed level. Their timing and the accompanying monetary policies will require careful thought if they are not to produce a recession which will make the debt overhang even worse.

> The special feature of debt is the large compounding effect if interest arrears are allowed to accumulate

Congdon takes me to task for not advocating a balanced budget as a fixed rule for UK fiscal policy. In fact, I have done more for fiscal prudence than Congdon, by examining the macroeconomic claims of fiscal demand managers instead of just brushing them aside with compound interest arithmetic – which itself does not point to a balanced budget in any of the usual senses.

My conclusion is that any rise in output induced by fiscal stimulation is at best once for all, while the effects on the debt burden are continuing. Thus I would wish any fiscal stimulus to be temporary and the main burden of demand management to fall on monetary policy.

One implication of his own analysis which Congdon does not draw out is that the US Administration should be worrying about the growth of its total debt rather than that small fraction which has a counterpart in current account deficits.

This is important. For if industrial countries as a whole are to be encouraged to save more, to bring down real interest rates, it makes little sense to push high savings countries such as Japan and West Germany in the opposite direction. While in an ideal world their surpluses would go to developing countries it is better that they should go to the US than that the world's savings ratio should be reduced.

A deeper analysis would thus have unravelled the largely bogus nature of the supposed US-Japan-German global imbalances, and not adduced the US current balance of payments deficits as examples of the debt crisis.

* * *

Finally, what does one make of the growth of lending in the UK? Bank and building society credit are not the whole of new lending; but they probably account for the bulk of it. They are plotted as an annual rate of increase in the accompanying chart, something rarely done in most City discussion.

Contrary to what is often suggested, the present annual increase in this lending total of nearly 21 per cent is only very slightly above the norm which has prevailed during the whole of the 1980s.

The quarterly figures show a faster rate of advance than the annual one because of corporate borrowing to finance exceptionally high tax payments at the beginning of 1988; and, within the total, banks have increased their lending more than building societies because of the rise in their share of home loans.

Total lending has been growing more than twice as fast as incomes. Congdon concedes that a rising debt-income ratio need not worry lenders if the assets which provide the collateral – such as residential property – are themselves rising sufficiently in value. There is here a difference from government borrowing, where there are either no corresponding assets or the assets are difficult to value commercially.

House prices cannot go on for ever rising twice as fast as income. The best that can be hoped for is a soft landing, in which credit growth and house prices slow down together.

The recent acceleration in house prices is important, even if there is no impending household debt crisis, because the resulting wealth effect makes consumers slightly more likely to spend than to save. It has to be added to all the other evidence that demand is rising faster than the Treasury expected. The monetary aggregates, for what little they are now worth, tell a similar story. The latest and most important evidence is the new Confederation of British Industry survey which shows less unused capacity than since well back into the 1970s.

My own support for the sterling-D-Mark link was not based on a denial of inflationary forces but on a belief in playing it long: that is that a credible link with a major non-inflationary currency was the best route to low inflation. Eventually, when credibility was established, a level of nominal interest rates approaching the West German one would still be adequately high in real terms.

The best recommendation is to pick up the pieces and try to stabilise sterling around its new level and tackle soaring house prices by more direct and structural policies.

Lombard

An uncertain idea of Europe

By Guy de Jonquières

WHEN LORD YOUNG, Britain's Trade and Industry Secretary, was asked last week to describe what the European Community's plan to create a single market was about, he said: "We're not talking about a United States of Europe. We're talking about a trade association with some common rules."

That sounds a bit odd from a Government which normally lauds the US as the very model of free enterprise. It also begs a much larger question: does achieving a single market stop, as Lord Young has implied, at simply levelling some trade barriers and letting the invisible hand of competition do the rest?

Of course, improving market access is essential, and Britain has set a good example by attacking many damaging rigidities at home. But the idea that governments can then sit back as detached spectators and watch market forces operate is as fallacious as the belief that car-owners should be free to drive on whichever side of the road they choose. In many businesses, for example telecommunications, sustained official vigilance and judicious intervention are needed to make competition work at all.

Nobody should know that better than Lord Young, whose department drafted and is responsible for enforcing the Financial Services Act, basis of the most elaborate and extensive regulatory structure in Europe. Furthermore, when Britain speaks out on securities markets in Brussels, its demand is not that other EC countries demolish their national rules. Far from it, the UK insists that everyone else erect regulatory systems as exacting as the FSA.

So Britain does accept, when it suits it, that governments set key parameters of the market process. Many businessmen would go further. Even ardent enthusiasts of free enterprise do not expect governments to vanish from the stage, but rather to play their roles more efficaciously.

To businessmen, the acid test of any government-imposed impediment is what it costs in time, money and opportunities lost. And when asked to rank those costs in order of importance, it is striking how many industrialists spontaneously name Europe's multiple exchange rates and cite the creation of a common currency as the single biggest advantage a truly unified EC market could provide.

Yet that remains one message which Mrs Thatcher seems resolved not to heed. Maybe her refusal to make sterling a full member of the European Monetary System really is based on dispassionate analysis. But there is more than a suspicion that it is also coloured by determination to stand on established sovereign prerogatives and not to cede one ounce of national autonomy over policy-making.

It remains to be seen whether the UK's attitude towards the EMS will slow the EC's preparations for 1992. But it is hard to see how much a single market can contribute to economic growth unless buttressed by appropriate macro-economic policies. A fundamental requirement is that those policies should all point in the same direction.

Whether convergence is achieved informally by co-ordination or more explicitly by commitment to some institutionalised mechanism, it must inevitably narrow the scope for unilateral national action. By definition, that is what economic integration is all about, and further EC integration is the stated goal of the single market plan. For confirmation of where the logic leads, Lord Young need only look at what has happened to the T in his department's title. Almost all its authority over external trade policy has moved to the EC. Much of its export promotion role in Europe should also disappear after 1992.

Of course Britain is not the only EC country to balk at further concessions on sovereignty. It can also reasonably argue that it only gives commitments it is certain of honouring. The question is whether the UK has faced up fully to the implications of its treaty commitment to 1992. For a Government which preaches so loudly the virtues of efficiency and the evils of red tape, it seems remarkably attached to championing its institutional vested interests against those of the freer and more open European market which it has demanded so loudly and so long.

Letters to the Editor

Nuclear rates of return

From Dr Dieter Helm.

Sir, Mr Watts argues (Letters, April 25) that the private 10 per cent rate of return requirement for a nuclear station at Hinkley is too high because these rates have not in fact been achieved in the private sector. Furthermore, he argues that credit should be given for diversity of supply. Both of these arguments are fallacious.

The first argument is based on the claim that the Central Electricity Generating Board (CEGB), unlike the private sector, uses "central estimates," and therefore does not suffer from "optimism" biases. Previous experience of CEGB investment projects hardly gives grounds for believing that the CEGB is uniquely blessed with unbiased forecasts. The investment and project management record of the CEGB is a principal reason for privatisation, not for public ownership.

The 10 per cent discount rate is, if anything, an underestimate. The rate is derived from the estimated cost of capital, which in turn is calculated from the combination of the return on a riskless asset (approximated by a gilt) and the systematic risk associated with the CEGB. The nuclear investment programme will heighten this systematic risk, raising the cost of capital, as investors observe the fate of nuclear industries abroad, and consider the previous experience in the UK. It is highly unlikely that the cost of capital to the CEGB will therefore be less than for British Gas, which is above 10 per cent.

The diversity of supply credit is also suspect. In practice, "diversity" has meant freedom from British Coal. It could be provided, therefore, by coal-importing new coastal stations. Gas provides another source, as does further cross-Channel links and combined heat and power. We should beware of falling into the trap of equating "diversity" with "nuclear".

Dieter Helm,
Centre for Business Strategy,
London Business School,
Sussex Place,
Regent's Park, NW1

The way of the word

From Mr David Evans.

Sir, Interesting that the 7 per cent increase for staff in the electricity supply industry can be described as "Power Workers Bonanza," while the 6.8 per cent increase for top civil servants is merely "a small increase" (Financial Times, April 21).

F. David Evans,
Apple Tree Farm,
Waterley Bottom,
North Nibley, Gloucestershire

The stability of sterling

From the Rt Hon Terence L. Higgins MP

Sir, Your editorial (April 26) on the report by the Treasury and Civil Service Committee on the Budget was, in your own words, "well below par".

It complained that the Committee had not explained "the folly of allowing the pound to soar to unsustainable levels against the D-Mark." Yet not only had the Committee early in its report warned about the use of a high pound as an anti-inflationary weapon particularly when account was taken of its consequences for manufacturing and exporting industry, but at the centre of the discussion of exchange rate policy the Committee pointed out (in paragraph 58) the risks of any appreciation that was unlikely to be sustainable.

What that paragraph emphasised was that stability of sterling against the D-mark constitutes a continuation of downward pressure on inflation towards German price levels – an argument which your distinguished correspondent Samuel Brittan has recently espoused in your pages. The Committee went on to say "an appreciation of sterling which is 'unlikely to be sustainable' would not provide the further tightening of monetary conditions if industrialists and others expect it soon to be reversed. Such an unsustainable appreciation may thus threaten – on the downward move – to accommodate domestic inflationary pressure. There is a strong case for saying that a stable exchange rate is both a more effective counter-inflationary pressure and more likely to ensure that British industry remains competitive."

As to taking sides with the Prime Minister or the Chancellor, the Committee used the phrase "buck the market" to illustrate the dilemmas now facing policy makers, but we avoided discussion of these issues purely in terms of personality.

Your editorial also cavilled with the Committee's discussion of costs of intervention. We dealt with this aspect of exchange rate policy in order to illustrate its shortcomings when trying to "buck the market". Reports by the Treasury Committee in the past have taken the line, which we again adopted, that while intervention for purposes of "smoothing" is acceptable, intervention for other purposes may be both unsuccessful and costly. The figures we quoted were, as we said, heavily qualified, but they were aimed at flushing out, for the benefit of Parliament, fuller and better information on losses or gains as a result of exchange market operations.

Terence Higgins,
Chairman, Treasury and Civil Service Committee,
House of Commons, SW1

If '1992' is going to happen in 1992, significant decisions must be taken

From Mrs Joan Noble.

Sir, The answers given by Guy de Jonquières deal with some, but not all the questions on 1992 ("1992 and all that," April 18). I am surprised that he makes no reference to agricultural policy save that the European Community (EC) "avoided a damaging political fight over its budget and agricultural spending."

Agriculture and food is probably the single most important industry in Europe – certainly as far as budget spending goes – but Mr de Jonquières avoids discussing how the EC will remove non-tariff barriers and nationalist policies in that sector.

If "1992" is going to happen in 1992, then significant decisions need to be taken – especially as there is no commitment from member states to become full members of the European Monetary System's (EMS) exchange rate mechanism.

For two decades the "green" money system alone has saved the common agricultural policy (CAP) from destruction. Monetary compensatory amounts (MCAs) are meant to be phased out by 1992; in theory this will prevent future political decisions being taken on farm incomes, especially if the current prudent price policies in European units of currency (ecu) terms continue. Farmers and consumers in future, in countries with unstable exchange rates, may well see weekly price changes in CAP commodities reflecting exchange rate movements unless all trade is carried out in ecu. Perhaps I – in my role as a housewife – will go to the supermarket to buy a kilo of sugar for 0.8 ecu.

While this may be preferable to the political nature of annual price fixing agreements now, it surely means considerable uncertainty for some farmers and consumers. And will the politicians in each country be willing to relinquish their control over farm incomes and food costs?

Joan Noble,
5 Brunswick Gardens, W8

From Miss Heather Randall.

Sir, It is ironic that in the week which saw the Prime Minister launch the Government's national campaign to promote awareness of 1992, speculation on the future of Lord Cockfield continues to grow.

286 proposals form part of the 1992 package. Most of these, particularly those in the financial services sector, open up opportunities for Britain in Europe. Architect of these proposals – published only in June 1985 – it is largely due to Lord Cockfield's vision, perseverance and dogged determination that the creation of an internal market by 1992 is now a reality.

Only a few relate to the approximation of VAT rates and harmonisation of excise duties. While most proposals come under Article 100a of the new Single European Act, and are subject to majority voting in the Council, these – being taxation measures – can only come into force on a unanimous vote.

To repudiate the Commissioner – who has achieved so much, and who is held in such esteem throughout the European Community – because of a differing opinion over these few proposals, would be counter-productive. It could also be seen to show a certain peevish intolerance.

Heather C. Randall,
Randall's Parliamentary Service,
7 Buckingham Gate, SW1

From Mr H.D Johnson.

Sir, Mr P.E. Sutton's timely letter (April 19) draws attention to a serious anomaly, but to say that the British will be driving on the wrong side of the road only highlights the present state of affairs.

I believe a Conservative government will have the UK driving on the right by the time the Channel Tunnel is open in 1992. What a pity we are kept in the dark about the timing of the change. Could it be to fox Japanese and other car manufacturers, so that their cars – in the process of being imported – will have to be sent back?

H.D. Johnson,
Aberfoyle House,
St Albans, Hertfordshire

FINANCIAL TIMES
Thursday April 28 1988

ASSEMBLY ELECTION RESULT MAY BE STEP TOWARDS GREATER DEMOCRACY

S Korean leadership loses majority

BY MAGGIE FORD IN SEOUL

SOUTH KOREA'S ruling party yesterday lost its majority for the first time in the country's history as final results of the National Assembly elections came in. This seemed to herald a major step towards greater democracy.

The stock market reacted by shedding 25.97 points with the Seoul Composite index falling from 644.77 to 618.78. This fall of some 4 per cent was one of the largest single day declines. Investors tried to decide what effect the change would have on business and the economy.

The Assembly was given strong powers under the new constitution drawn up last year after demonstrations against the Government. If it is taken seriously the new political alignment could have far reaching effects.

The result, which was totally unexpected in a country which has long been ruled by authoritarian governments and plagued by unfair elections, gives the ruling Democratic Justice Party 125 seats, down from 165, and the top three opposition parties 164.

Mr Kim Dae Jung, the opposition leader who has been jailed, exiled and sentenced to death over the past 20 years by two governments, saw his Party for Peace and Democracy become the leading opposition group with 70 seats, followed by his colleague Mr Kim Young Sam, whose Reunification Democratic Party was relegated to third with 59.

The New Republican Democratic Party of Mr Kim Jong Pil, who is associated with the first military government led by President Park Chung Hee, won 35 seats and could play a pivotal role in the new Assembly. He said yesterday that it would be "unthinkable" for his party to form a coalition with the Government and that he would decide on his support on a case-by-case basis in the interests of the public.

All three Kims stood in last December's disputed presidential poll won by Mr Roh Tae Woo of the ruling party. Mr Roh yesterday issued a disappointed but conciliatory statement saying that dialogue and co-operation would be necessary to enable the Government to pursue its programme with a potentially hostile National Assembly.

The Government has used the parliament as a rubber stamp in the past but will find it difficult to ignore the new body, in which the three Kims will be accompanied by a large group of new politicians with non-military backgrounds in all parties.

South Koreans were startled by the result and alarmed by the apparent regional bias of many of the voters. Some sympathised with Mr Kim Young Sam, deserted by his middle class supporters, who were disillusioned after the presidential poll and stayed away from the ballot box.

But although concern about stability was evident, many took the view that the result was a necessary change for a country in transition and that it could be a welcome sign of sincere intentions on the part of the Government to allow genuine democratic progress.

Seoul surrenders a share of power, Page 4

Kim Dae Jung in Seoul yesterday pins up the names of his party's winning candidates as the final votes come in

Saudi office in Kuwait attacked

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

A BOMB exploded at the Kuwait office of the Saudi national airline, Saudia, yesterday amid a furious Iranian reaction to Riyadh's decision to sever diplomatic relations with Tehran.

The explosion slightly injured a security guard and caused extensive damage. It was the latest in a series of bomb attacks on Saudia offices worldwide and on industrial installations within the Kingdom in recent weeks.

Western diplomats suspect Iran of being behind the attacks; pro-Iranian militants have also been blamed for a series of bombings in Kuwait in recent years.

The latest attack came less than a day after Saudi Arabia announced it was cutting its ties with Iran, apparently in a bid to head off trouble during the hajj (the Moslem pilgrimage to Mecca) this July.

Iran said that the Saudi move was a cover for its aim of preventing Iranians from participating in this year's hajj, and linked it with Saudi Arabia's "co-ordination with US policies in the Persian Gulf to help the Iraqi regime."

A Foreign Ministry spokesman was quoted by Tehran radio as saying: "Moslems of the world ask what right does al-Saud (the Saudi royal family) have to limit the number of pilgrims or impose conditions on how to perform hajj."

The statement was a further Iranian attempt to cast aspersions on Saudi Arabia's management of the pilgrimage after clashes between Iranian pilgrims and Saudi security forces in Mecca during last year's hajj, in which 402 died and some 600 were injured.

As a result of this incident, Saudi Arabia has re-emphasised that it will not tolerate political demonstrations during the hajj and has been trying to restrict the number of Iranian pilgrims visiting Mecca this year to a quota of about 45,000. Iran normally sends some 150,000 pilgrims to the Kingdom, and has encouraged them to stage demonstrations.

Ayatollah Ruhollah Khomeini, Iran's spiritual leader, said earlier this month that Iran intended to send the same number this year, and that it was their political duty to demonstrate against "infidels."

The Saudi decision to break relations apparently resulted from the failure of talks on the issue with Iranian officials in recent weeks, and will enable Riyadh unilaterally to restrict pilgrim numbers. Saudi Arabia accused Iran on Tuesday of adopting an "enemy-like stand" towards it.

This week's events mark a polarisation of the political climate in the Gulf – and between Sunni and Shia Moslems – at a time when Iran is under pressure to demonstrate progress in the Iran-Iraq war after a series of setbacks. If the bombing in Kuwait was the work of Iran it may portend further Iranian attempts at sabotage in the Gulf states, especially Kuwait and Saudi Arabia, the strongest supporters of Iraq, in coming weeks.

The intensifying war of words between Tehran and Riyadh may also have implications for the Organisation of Petroleum Exporting Countries' efforts to raise oil prices in its current deliberations with non-Opec producers in Vienna.

Mr Rezampour Ardebili, Iran's deputy oil minister, said yesterday that Saudi Arabia's break in relations with Iran was "intended to have a negative impact on increasing the price of oil".

However, the Saudis and Iranians have generally managed to keep oil and politics separate.

Saudi loses patience, Page 4; Commodities, Page 30

France 'sending troops' after more kidnapped

Continued from Page 1

Pen, who captured a substantial minority of last Sunday's vote in the French presidential elections, threatened to mobilise white settlers unless French security forces restored calm within 48 hours.

In the eastern village of Canala, 200 km from Noumea, the High Commissioner's office said police evacuated more than 100 settlers under fire from Kanak guerrillas, and the separatists had been driven back into undergrowth.

Separatist radio reports say up to a dozen Melanesians may have been killed in the fighting in Canala.

Last October France sent hundreds of troops and police to restore order in its other Pacific island territory of Tahiti after a clash between security forces and striking dockers had erupted in looting and arson.

Rowntree and Cadbury face increasing bid pressure

BY DAVID WALLER AND LISA WOOD IN LONDON

PRESSURE on the continuing independence of the UK's two largest chocolate companies mounted yesterday as Swiss companies Nestlé and Jacobs-Suchard announced increased stakes in York-based Rowntree and bid speculation sent shares in Cadbury-Schweppes 10 per cent higher.

The latest developments coincided with an appeal from Mr Tony Blair, the Labour Party's City of London spokesman, to Lord Young, the Trade and Industry minister, asking him to refer Nestlés £2.1bn ($3.94bn) bid for Rowntree to the Monopolies and Mergers Commission. He argued that it would not be in the public interest for 90 per cent of the UK confectionery market to fall into foreign hands.

Suchard, which swooped to take 14.9 per cent of Rowntree shares in a dawn raid two weeks ago, confirmed that it had bought a further 1.1 per cent on Tuesday and is believed to have added to its stake again yesterday.

It declined to say anything about its intentions yesterday beyond that it was "evaluating a number of options." Stockbrokers said that it could be considering an ambitious counter-bid to that from Nestlé, or could equally well be playing a game to draw out a higher bid from its Swiss rival.

Rowntree shares edged down 2p to 926p yesterday, 36p above the value of the offer from Nestlé, which now owns 6.57 per cent of Rowntree's shares after buying 1.97 per cent on Tuesday.

The dull performance was in part a response to the terms of the long-awaited sale of Tom's Food, the US snacks company which Rowntree bought in 1983. Analysts had hoped that Rowntree would secure £150m from the disposal; in the event, Rowntree disclosed yesterday that it was receiving $200m from the sale to a management-led investor group.

The disposal virtually eliminates Rowntree's borrowings, ironically making the company more attractive to a predator.

Cadbury shares gained 31p to 362p as the market geared up for a bid from General Cinema, the US company which holds 17.7 per cent of its shares.

Speculation that General Cinema would strike was stirred up by a filing to the US Securities and Exchange Commission in which it said it was contemplating a range of options in respect of its holding in the UK-based confectioner and soft drinks manufacturer.

It said one of the possibilities was to take full control. Cadbury reacted angrily to this yesterday, condemning the statement as too ambiguous to be interpreted clearly.

De Beers lifts diamond prices by 13.5%

BY KENNETH GOODING, MINING CORRESPONDENT

BUOYANT world demand for gem diamonds has prompted De Beers' Central Selling Organisation to raise the price of rough (uncut) stones by an average of 13.5 per cent from next month.

The increase is believed to be the biggest ever imposed by the CSO, which controls 80 per cent of the world market.

It reflects continuing strong retail demand for gem diamonds, especially from Japan, the largest market after the US, and from south-east Asia overall.

There had been some concern that the October stock markets crash would cut demand, and the CSO reduced its November and December allocations to the diamond-cutting trade as a result. In the event, sales held up, particularly during the peak Christmas buying season.

The CSO's last increase, of 10 per cent imposed last October, is only now beginning to make an impact in the retail market.

In 1986, the CSO made two increases totalling more than 14.5 per cent but this followed three years when the diamond business was in deep recession and there were no price rises.

"I believe De Beers caught everyone on the hop with this increase but it can get away with it because demand is very good and stocks are very low," said Mr Peter Miller, an analyst with the London-based Yorkton Securities.

The CSO suggested, however, that diamond traders were expecting a price increase in view of the level of retail demand.

The strength of the yen against the US dollar – in which diamonds are priced – had made the gems more affordable to the Japanese, it pointed out.

Retail sales of gem diamonds last year were a record for the fifth successive year, principally because of increasing consumer confidence and spending.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	S	20	68	Malta	F	19	66	Rhodes	C	21	70
Algiers	C	15	59	Edinburgh	F	8	46	Manchester	R	8	43	Rio de Ja	F	32	89
Amsterdam	S	14	57	Faro	S	18	64	Manila	C	36	97	Rome	S	21	70
Athens	C	18	64	Florence	F	23	73	Melbourne	C	19	66	Salzburg	S	18	64
Bahrain	S	28	82												
				Frankfurt	C	12	54	Mexico City	F	30	86	San Francisco	C	27	80
Bangkok	F	34	93	Funchal	F	18	64	Miami	F	31	87	Seoul	S	19	66
Barcelona	D	14	57	Geneva	R	10	50	Milan	F	18	64	Singapore	F	31	88
Beirut	-	-	-	Gibraltar	F	19	66	Montreal	R	10	50	Stockholm	S	9	48
Belfast	C	8	46	Glasgow	C	10	50	Moscow	Sn	4	39	Strasbourg	C	8	46
Belgrade	C	15	59	Guernsey	F	11	52	Munich	S	17	63	Sydney	C	20	68
Berlin	S	11	52	Helsinki	Sn	8	43	Nairobi	F	24	75	Taipei	C	24	75
Biarritz	-	-	-	H Kong	S	29	84	Naples	S	23	73	Tangier	C	17	63
Bombay	S	32	90	Innsbruck	S	18	64	Nassau	F	33	91	Tel Aviv	S	28	82
Bordeaux	-	-	-	Inverness	C	8	46	New Delhi	F	38	101	Tenerife	S	21	70
Brussels	S	15	59	Islamabad	F	37	99	New York	R	16	61	Tokyo	F	22	72
Budapest	F	16	61	Istanbul	C	11	52	Nice	F	18	64	Toronto	F	13	55
B. Aires	C	17	63	Jakarta	F	34	93	Nicosia	F	30	86	Tunis	R	17	63
Cairo	S	37	99	Jersey	S	13	55	Oporto	S	15	59	Valencia	F	17	63
Cape Town	S	16	61	Jo'burg	S	18	64	Oslo	S	9	48	Venice	F	18	64
Caracas	F	29	84	Lima	F	25	77	Paris	S	16	61	Vienna	S	16	61
Casablanca	C	19	66	Lisbon	F	17	63	Peking	S	32	90	Warsaw	F	7	45
Chicago	C	11	52	London	C	9	48	Prague	S	14	57	Washington	-	-	-
Cologne	F	15	59	Los Angeles	F	23	73	Reykjavik	F	5	41	Zurich	C	14	57
Copenhagen	S	8	46	Luxembourg	S	12	54								
Corfu	S	23	73	Madrid	F	16	61								
Dallas	-	-	-	Majorca	C	17	63								
Dublin	C	9	48	Malaga	F	23	73								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush challenge on Iran

Continued from Page 1

maries in June, but he seems destined to arrive at the Democratic convention weaker politically than seemed likely only a month ago.

This in turn makes a first ballot nomination of Mr Dukakis increasingly likely since it will be easier then for the so-called "super delegates" – of whom there are more than 646 and who include party officials who have not been chosen in the primary elections and caucuses – to swing decisively behind Mr Dukakis.

Mr Bush's claim to be the most experienced of the candidates in foreign affairs has drawn the obvious riposte from the Democratic camp: "If you know so much about foreign policy how is it that you were not more outspoken in trying to stop the Administration's (Iran contra) policy?"

Many Democrats, including Mr Dukakis, also believe that the Reagan Administration and Mr Bush could yet be severely embarrassed by the policies they have been following in Central America.

S African car workers put union on the defensive

By Anthony Robinson in Johannesburg

A WEEK-LONG wildcat strike by 3,000 mainly black assembly-line workers at the Samcor motor plant near Pretoria which has just ended, not only halted production for a booming South African car market but also raised deeply embarrassing questions for the National Union of Metalworkers (Numsa) and black union leadership generally.

Since last November Samcor has been co-owned by the Anglo American Corporation, which holds 76 per cent of the shares, the remainder being with a union-controlled trust. The trust was established after 10 months of hard bargaining between Numsa and the Ford Motor Company over the form of its planned disinvestment from South Africa.

At the time the way Ford disposed of its 40 per cent stake in Samcor was hailed as a breakthrough in "creative disinvestment." Rather than merely sell its shares in the joint venture to white South African businessmen, like General Motors and most of the several hundred other departing US and other foreign companies, Ford sold 16 per cent of its stake to Anglo and offered the remaining 24 per cent free to the workers.

Numsa officials initially reacted with deep suspicion to an offer perceived as a plot by big business to subvert the collectivist ideals of the working class and soften them up to the virtues of capitalism.

A key element in the union's platform was strong opposition to the idea that the shares, and accompanying dividends, should be distributed directly to the workforce. Instead, after what Numsa insisted was a thorough report back to the rank and file, the union agreed to accept the shares on condition that they were placed in an employee-controlled trust. The idea was that future dividends should be channelled by the trust into community-related projects.

Ford agreed, winning widespread praise at home and abroad for its creative approach. It also donated a further $2m each to two black community trusts.

A week ago, however, rumours swept through the Samcor plant that dividends were about to be declared and that the union-dominated trust intended to spend the money on township projects.

At this point things started to go wrong, both for management faced by the total strike of its hourly-paid workforce and the union.

The rumour provoked a shop-floor revolt against the local Numsa shop stewards and demands that the dividends be paid directly to the workers and not to the trust.

"It just goes to show that if you negotiate with union leaders you get one version of what the workers want. When the workers make their voice felt directly you get a totally different picture," a senior labour relations executive commented.

The workers agreed this week to resume work while negotiations continued with the union. Numsa declined to comment.

Anglo and Samcor are trying their best to play down the incident and avoid causing further embarrassment to union officials. But privately they are delighted at a development which vindicates the decision on November 26 of Anglo and its stablemate, De Beers, to offer free shares directly to their 270,000 workers rather than through the unions.

At the time the unions criticised the move as an attempt to undercut the unions and undermine worker solidarity. In Namibia, where the South West Africa Peoples Organisation maintains tight control over the mainly Ovambo migrant labour force on De Beers diamond mines, the company's was rejected.

However, in other mines and Anglo facilities more than half the workforce is believed to have taken up their portion of the 7.5m shares on offer, slightly in excess of 3 per cent of Anglo's 230m outstanding shares.

Unlike the Samcor shares, the Anglo and De Beers shares are being put into an Anglo-administered trust fund. Only after four years will employees be free to leave their shares with the trust, take personal possession or sell.

Anglo hopes that most will keep their shares and earn regular dividends. In time it hopes that the workers will change their historically accurate image of the close links between capitalism and apartheid, and come to accept that the path to a post-apartheid society lies through participating in capitalism rather than responding to the siren call of socialism.

The companies' main criteria of success will be how many workers not only retain their shares but also decide to invest their own money in buying more.

Other African reports, Page 4

THE LEX COLUMN

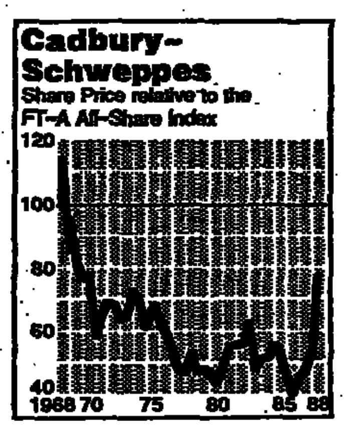
The music of the brand

The London market's obsession with brands is becoming feverish. The food sector having been run for all it is worth, there were irrational jumps yesterday in such disparate stocks as Rothmans and Reckitt & Colman. The main ramp, though, hasswitched to the drinks business; companies with international wines and spirits brands all rose sharply, but those which the market reckons as best managed and therefore less vulnerable – such as Grand Met – rose least.

In the chocolate wars themselves, it is plain that there is going to be a lot of backstage skulduggery. General Cinema's carefully ambiguous statement on Cadbury comes as a reminder of how different Cadbury's and Rowntree's positions are. Rowntree's is distressingly simple – an uncluttered group of brands, being pursued by a big cash buyer. Cadbury comprises at least three businesses – chocolate brands, soft drinks brands and bottling. General Cinema knows only about the bottling part, and in any case is only a third of Cadbury's size. Everything points to a break-up, the main question being who else might come in on the deal.

An obvious candidate for the confectionery business, of course, would be whichever of Nestlé and Suchard failed to get Rowntree. Hershey, too, might still be interested; putting Cadbury's brands together with the Rowntree ones it already controls in the US would – anti-trust permitting – put it slightly ahead of Mars in the US market, besides giving it its first big exposure overseas.

As the London market ponders these things, it has to face the damning fact that it still has no idea of how to value brands except on the auction block. Yesterday's 5 per cent jump in Allied Lyons owed little to renewed appreciation of the group's range of brand names, much to the fact that brands, brewers and food companies are all in fashion, as are companies with overseas predators sitting on their share registers. In a market still starved for lack of business, if it moves, run after it.



Cadbury-Schweppes
Share Price relative to the FT-A All-Share Index

Lautro

The move towards full disclosure of life insurance commissions may well mark a turning point in the profitability of a hugely successful part of the UK financial services industry, but it would be hard to jump to this conclusion from the stock market's initial reaction. Admittedly, Legal & General and a few other companies which rely heavily on independent brokers shed a few pence, on the basis that new customers will get a fright when they see the sorts of commissions they are paying to high-powered life insurance salesmen. But it was by no means the dramatic sell-off which might have been expected.

Part of the reason is that the underlying pace of business isbooming on the back of record mortgage lending and the rapid growth in personal pensions, while bid speculation for stocks like Abbey Life and Sun Life is a very potent factor at the moment. The other reason is that the full implications of Lautro's climbdown over its rule book, and the Government's intention to ensure that full disclosure of commissions is extended to tied agents, will take time to work through the system.

The big question is whether the disclosure of commissions will slow the overall growth of the life insurance industry. Given that many of the life-linked products, such as mortgages, will continue to be in demand, the overall impact will probably be limited. However, disclosure could lead to a squeeze in industry profitability over the longer term. The second, and more complicated question, is how the changes will affect the overall structure for marketing life assurance and unit trusts, and on this score yesterday's stock market reaction may not be giving the right sort of clues.

Compagnie du Midi

It was scarcely a surprise on Tuesday night to see both Compagnie du Midi and Axa genuflecting in the direction of 1992 when announcing that they were merging their insurance operations. References to the single European market seem to trip off the tongue with the greatest of ease these days as a justification for corporate activity on the Continent – all the more so when there might otherwise be reasons for questioning the logic of the deal.

In the case of Compagnie du Midi and Axa, the rhetoric may well have been European – the argument being that while either is too small to survive on its own in a liberalised EC market, together the two could seize the offensive even outside France – but the reality is more likely to have been defensive. Whatever the threats and temptations of 1992, the immediate intentions of Assicurazioni Generali seem to have been a far greater stimulus.

That Midi is intent on seeing Generali off seems clear from the string of defensive moves undertaken by the company over the past few weeks – ranging from exchanging Midi shares for those of minority shareholders in certain subsidiaries to a convertible bond issue placed in the hands of those who would take a view similar to that of the Midi board. The merger with Axa certainly seems to make more sense than much of this activity, but it still suggests a panic reaction, especially given the personal rivalry involved between the two chairmen. Generali may yet have the last word though. Somebody was certainly in the market yesterday buying Midi's shares, and the theory that it was Generali seeking a blocking one-third minority for the plan does not seem that far-fetched.

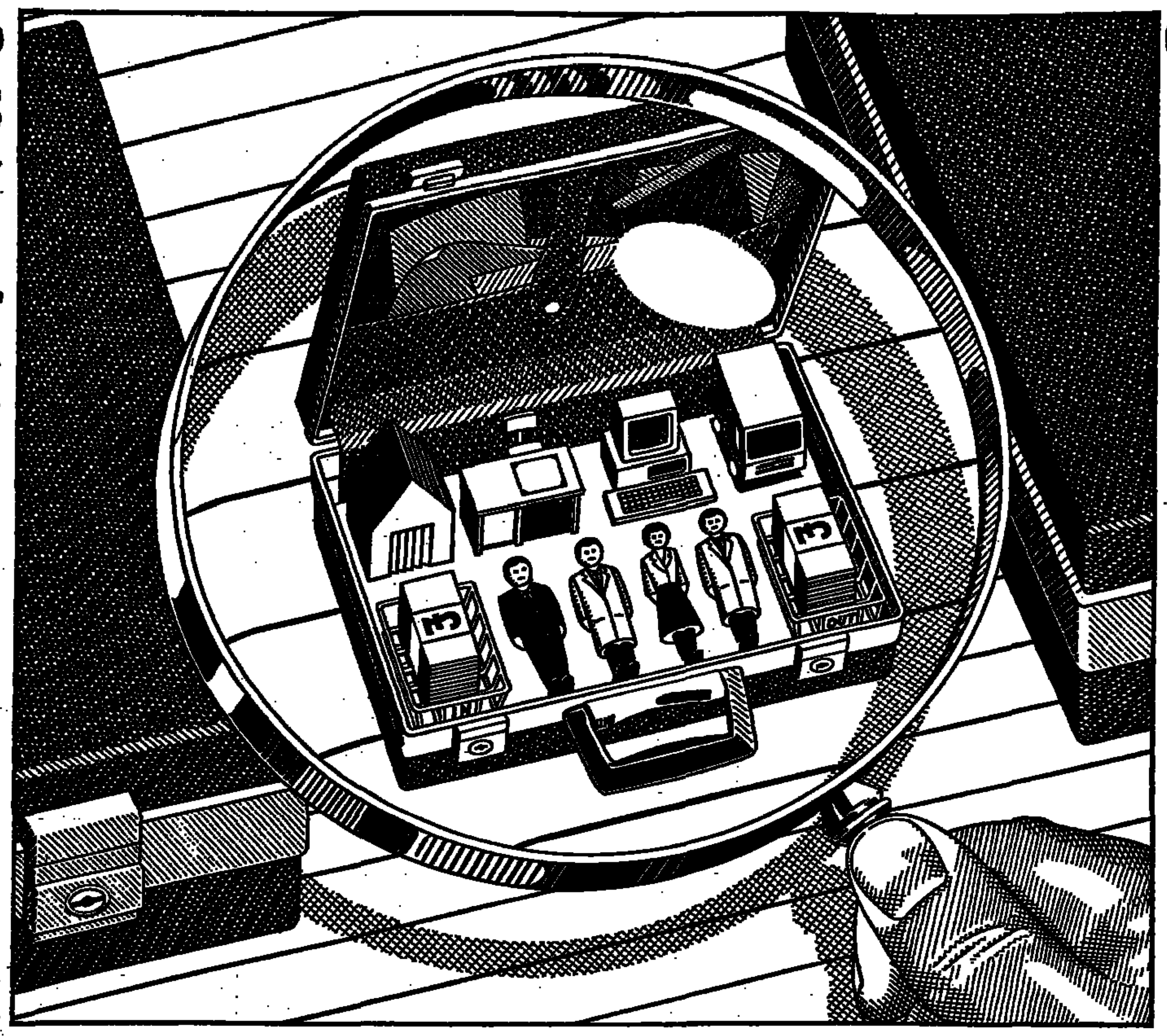
Preference shares

Interest appears to be reawakening in the £1.5bn UK preference share market, one of the more quaint backwaters of the financial system. Yesterday, the Co-operative Bank raised £40m of 25 year cumulative redeemable preference shares on a gross redemption yield of 11.3 per cent, or roughly 195 basis points over the comparable gilt. While the yield is 100 points more than is being offered by other bank preference share issues, the market in these stocks is fairly illiquid, and a £40m issue is second only in size to last year's issue from Beazer. This means that it continues to remain off limits to any major clearing bank which might like to raise substantial amounts of new preference share capital.

SECTION III

FINANCIAL TIMES SURVEY

It is the smaller companies which are creating new jobs and this is recognised by most governments in Europe in the run up to the single internal market. In Britain, ironically, the direction of policy appears uncertain at this crucial time, writes **Charles Batchelor**



Small Business

CONTENTS

□ Illustration by Robin Macfarlane

Jobs born out of enterprise

SMALL BUSINESS continues to occupy a favoured position on the agendas of most governments in Europe. In Britain smaller companies are the target for a £250m programme, the Enterprise Initiative, to bring them subsidised management consultancy advice. In France big business support schemes have been jettisoned for programmes more likely to help the small business. In Brussels the European Commission is tailoring its policies and programmes to take more account of what it calls small and medium-sized enterprises.

This widespread interest should come as no surprise. Smaller companies, those employing up to 500 people, account for between 93 and 97 per cent of all businesses in the four main European economies, and for between 39 and 53 per cent of the workforce, according to European Community statistics.

It may be the large multinational corporation which hogs the attention but such companies are continuing to shed jobs while the smaller firms are creating new ones.

However, while the idea that small-scale enterprise is beautiful has received widespread support, the nature of small business differs radically between countries.

In Germany, the Mittelstand, the owners of the family-run craft business, occupy a central position in the life of the country. Like their counterparts in Belgium, which boasts a Ministry for the Middle Classes, West German small firms have long been protected from the harsher winds of competition by a mass of restrictive legislation and a solicitous network of private and public sector banks.

France, too, has its network of family firms — now facing a particular challenge as their post-war founders reach retirement age or die — but seems more aware than its neighbour across the Rhine of the potential of the small industrial company.

Britain, where a highly-developed stock market has promoted the public company at the expense of the privately-owned family firm, has caught up fast in recent years, adopting a number of innovative schemes to encourage the smaller business.

Alone among the major European countries, Italy has taken a more hands-off attitude to its smaller companies. They owe their particular vitality to close family ties, high levels of self-financing and an ability to overcome the bureaucratic inefficiencies of many public services, rather than because of any specific policies for the small business.

Despite this diversity, the problems facing the small company in Europe differ more in degree than in the fundamentals. Start-up companies in every country face a tough task to establish credibility with the banks and other providers of finance. Managing growth is a universal problem; introducing new products and processes a constant challenge; and breaking out of a home market into the wider European scene a big step for small firm owners everywhere.

After many years of wide-ranging programmes aimed at backing almost every form of small-scale enterprise, a more flexible approach is now being adopted. Partly in response to the approach of the European Community's target of 1992 for the creation of a single internal market, attention is now being focused on helping the more sophisticated company.

France, for example, is putting more funds into helping small companies adopt new technology. Britain's Enterprise Initiative is focusing on the problems of growth such as quality management, manufacturing methods and financial and information systems.

To find out why some companies grow to operate on a European scale, while many others remain small, the European Foundation for Entrepreneurial Research has been launched by a Dutch businessman, Mr Bert Twaalfhoven.

At the other end of the scale, chambers of commerce and enterprise agencies and business clubs around Europe are trying to inject the enterprise spirit into their local community. Venture capital funds for small business have been set up by organisations as diverse as Bexley Borough Council, in south-east London, and the Loiret branch of the Patronat, the French employers' organisation, in Orleans.

While Europe struggles with the challenges facing small business, other parts of the world are also busy. Japan's Ministry of International Trade and Industry, for example, is attempting to foster co-operation between small companies in the fields of technology and marketing. Faced with a growing challenge from Taiwan and Korea in export markets, Japanese small firms are being helped (strange as this may seem to European eyes) to develop their domestic market.

The developing world is also keen to adapt some of the techniques from the industrialised countries. The European Business and Innovation Centre organisation, which is setting up a chain of science park-style developments throughout the Community, has been asked by the United Nations to see if its ideas can be transplanted to Africa.

Delegations from Nigeria (as well as from Canada and South Africa) have visited British colleges to see if ideas for injecting enterprise into education can be applied there.

Ironically, at this time of rapid change, the direction of small firms policy in Britain appears uncertain. In the wake of the June 1987 election, the small firms' portfolio appeared to have been given additional weight when it moved up a ministerial grade to become the responsibility of a Minister of State at the Department of Employment, in the shape of Mr John Cope.

But it soon became clear that Lord Young and Mr Kenneth Clarke had taken effective control of small firms policy with them when they moved from Employment to the Department of Trade and Industry (DTI). Mr Cope has been left to administer the low-profile, low-budget Small Firms Service, while programmes such as the Enterprise Initiative have come from the DTI.

On the one hand, small firms policy now appears to be more firmly anchored at the core of British government industrial policy. But the development by the DTI of its own network of local offices to administer the Enterprise Initiative adds to the number of agencies dealing with small firms and threatens to increase their difficulty in finding the right one. The 300-plus enterprise agencies feel unsure of their role in the new system.

There may be confusion over the policy makers but evidence of the establishment of an enterprise culture — a term largely synonymous with the growth of self employment and small businesses — is on the increase. A recent study* commissioned by 3i (Investors in Industry), the venture and development capital group, pointed to increases in numbers of new company starts (and failures), a leap in the number of management buy-outs, and (until last October's stock market crash) a rapid rise in new stock market listings of companies.

This change in mood has its counterpart elsewhere in Europe. In France, the business monthly, L'Expansion, last November reported that a convincing 63 per cent of 18-25-year-olds thought the successful businessman was someone to be admired — a stark contrast with attitudes in the 1960s and 1970s.

Reflecting the greater emphasis on providing advice rather than money, recent British budgets have provided little direct help for the smaller company. There has also been a move in Government policy away from specific new policies to help the small firm, to broader economic measures to cut overall tax levels.

Apart from minor adjustments to the workings of VAT and a useful reduction in effective rates of inheritance tax, the 1988 budget held little of special interest for the small firm.

Responding to pressure from some of the small firm lobbyists, the Chancellor did restrict companies to raising just £500,000 of BES finance in any one year in an attempt to channel these funds to the smaller company.

The BES would magnify its effectiveness if it could be used by the managers of a small company as well as by its passive investors, according to many people who have followed the scheme's progress. Inland Revenue fears that such an extension would lead to abuse has prevented such a move, however.

The venture capital industry has been particularly keen to see an extension of the BES tax breaks to managers. Such a move would increase the numbers of managers prepared to leave the relative security of the larger corporation to set up on their own, the venture capitalists argue.

While Britain continues to dominate the European venture capital industry, accounting for nearly half the Ecu6bn (£4bn) pool of funds available, this form of financing the smaller unquoted company is growing in popularity throughout the Continent.

Most deals continue to be arranged within individual countries in Europe but the number of cross-border transactions is on the increase. They accounted for just over 11 per cent of investments made in 1986, compared with 7 per cent the year before — further confirmation that even the small company must be prepared to operate on an international scale.

* *Britain in the 1980s: Enterprise Reborn? by Graham Bannock & Partners.*

SMALL BUSINESSES 2

Venture capitalists are consolidating, reports **Charles Batchelor**

Market crash blocks off lucrative exit route

VENTURE CAPITAL – equity finance provided to growing companies by specialised investment funds – has become an important source of finance for a small number of high-performing companies.

Most venture managers receive several hundred approaches a year from hopeful entrepreneurs but accept only a handful. Only a minority of companies have the potential for the rapid growth the venture capitalist requires to justify the investment of money, and even more importantly, of time in a new venture.

Even then, for all the effort devoted to selecting and supporting protégés, only one or two will turn out to be real stars. Some will go bust while most will jog along producing no more than an adequate return.

In the boom years up to the stock market crash of October 1987, the venture capital industry did have one important advantage. The buoyant stock market meant companies could be floated for a good price at a relatively early stage.

The abrupt market downturn of October 19 has, temporarily at least, closed this lucrative "exit route". An industry which had experienced several years of apparently non-stop growth now faces a period of uncertainty.

True, companies which might have expected to go to market are now more likely to come back for a second or third round of venture financing. This will allow the venture capitalist to earn extra fees or increase the equity stake. But these refinancings mean commitment to the company for several more years with no immediate prospect of an exit by means of a flotation.

This has prompted venture capitalists to structure deals so as to increase the likely income they will earn and reduce the importance of a capital gain. Deals which before October might have earned the venture capitalist a fixed dividend may now contain trigger points to set off a higher level of dividend if profits break through agreed levels.

Even without the stock market fall there were signs that the venture capital industry was entering a period of consolidation. Before the market crash Innotech, a small fund set up by Mr David Sainsbury, finance director of the food retailing group, decided to become part of ECI International, a £35m fund set up by EC Ventures, a long-established venture capital group.

This was a modest deal but last month CIN Management, which handles the British Coal Pension Fund's investments took over the management of the British Rail pension fund's £50m unquoted portfolio in what was a major shift of management control. The high cost of maintaining and motivating a management team for such a "small" portfolio was advanced as the reason for this move.

Further evidence of the consolidation of the venture capital industry appears in the growing dominance of a limited number of experienced managers. Most of the 36 venture capital funds set up in 1987 were created by existing teams of managers, according to Venture Economics, a specialist consultancy which covers the sector. It has become more difficult for newcomers to break in.

If venture capital is about to mark time it will do so at a high point in its fairly short history

If venture capital is about to mark time it will do so at a high point in its fairly short history. Independent British venture capital funds – those not part of a larger financial group – raised a record £708m last year, nearly three times the figure for 1986. Over the past decade the number of funds has risen from a handful to 130 in the UK, while numbers are also increasing on the Continent.

As if to emphasise the growing internationalisation of the industry – in terms of both the source of funds and the target for investments – foreign investors last year displaced UK pension funds as the British venture capitalists' main source of finance. Encouraging while this may be for those managers keen to see venture capital take on an international role, it does point up the conservatism of many British institutions about venture capital.

Too many City institutions still regard venture capital as a miscellaneous item on their portfolio on which they might risk, say, a fraction of a percentage point of their funds. Even then, some venture managers complain, the institutions take an unduly short-term view of their investments and are unwilling to accept the inevitable early casualties.

The past year has also seen an increased degree of specialisation on the part of venture managers. A large number of funds were set up to invest either internationally or in management buy-outs. The five funds set up last year to specialise in buy-outs accounted for 41 per cent of all funds raised.

But it has been the larger buy-out, more than any other deal, which has been hit by the market crash. The £715m buy-out of MFI, the furniture retailer, announced a week or so before the crash, appeared to usher in a new era of relatively highly-leveraged mega-deals. The more subdued stock market conditions of recent months have put an end to transactions of this size and forced venture managers to concentrate on the smaller deals, valued typically between £1m and £5m.

Even so, venture capitalists report, the valuations of buy-out companies, and of venture capital deals generally, have not fallen as much as was originally expected. They have not mirrored the slump in the value of quoted stocks. And trade buyers (usually rival companies in the same industry) still seem willing to pay a fairly high price to fill a gap in their product or market range and continue to compete with buy-out teams in the bidding for many companies.

In Europe as a whole, the venture capital "pool" – funds invested or available for investment – rose 38 per cent to Ecu10bn (£6.9bn) in 1986 (the most recent year for which figures are available). On the Continent, however, the industry remains far more conservative than in Britain or the US.

The venture capital label is frequently applied to regional development organisations with social as well as financial goals and a "hands-off" attitude to their portfolio companies. This approach may be more appropriate in countries where conservative, family-owned companies make up a large part of the economy. Nevertheless British and American groups such as 3i (Investors in Industry), Citicorp, Advent and Alan Patricof are attempting to introduce a more "hands-on" style.

The Business Expansion Scheme has been a successful British innovation to direct investments towards the smaller company. The tax breaks available to investors have attracted £150m annually into small companies in recent years, Mr Nigel Lawson, the Chancellor, acknowledged in last month's budget announcement.

To reinforce the BES's role as a source of funds for small companies, however, he ruled that companies will be restricted to raising just £500,000 a year under the BES. This has killed off the larger "prospectus issues", often running into several million pounds.

It is not yet clear whether this ban will prompt investors to put their money into either smaller issues, which would be more risky, or into the BES funds, which invest in a range of companies. The funds have proved less popular over the last year or so.

What the Chancellor wants is for the venture capital industry to take over the role of funding companies which might previously have gone for a large BES issue. It is doubtful, though, whether all these companies will meet the venture capitalist's criteria.

The banks

Friendlier face to the small business customer

THE BATTLE between the high street banks for the hearts and accounts of Britain's small business owners has increased in intensity over the past year. Barely a month has gone by without one of the larger banks launching a campaign to woo the small business customer.

The competition for the larger corporate customer and for the personal account has put pressure on the banks' margins in these two areas and they see the small business market as offering a relatively untapped market. This has led to a leapfrogging in terms of the service the banks are now willing to provide to the business with turnover of up to £100,000.

During 1986 and the early part of 1987 the banks moved to standard tariffs for their small business customers, taking the uncertainty out of bank bills with a published set of charges.

Throughout 1987 and into 1988 attention shifted to free banking, discounts on small business loans, fixed rate overdrafts and advice and information packages.

The five main competitors for the small business market now offer:

● Barclays 12 months' free banking to new business customers who stay in credit; a fixed fee overdraft of up to £2,000; and fixed-interest business starter loans of up to £15,000.

● Co-operative Six months free banking to new in-credit and overdrawn business customers with turnover up to £250,000.

● Lloyds 12 months free banking to new business customers who are either in credit or within prearranged overdraft limits; a "managed-rate overdraft" which makes more clear the rate being charged; for companies up to two years old a year's free subscription to the services of Dun & Bradstreet, the business information and credit rating group.

● Midland Six months' free banking for new clients; an interest-free overdraft of up to £1,000 for three months; and a discount of half a percentage point on small business loans if repayment insurance is arranged.

● National Westminster 12 months' free in-credit banking and a half per cent discount on business development loans taken out before July 1, 1988.

The banks' friendlier face to small business customers is an attempt to improve the uneasy relationship which has long existed. This often resulted from an over-cautious attitude on the part of branch managers to new business proposals. The manager would often react with either a refusal of credit or demand such far-reaching guarantees that relations with customers were soured.

To overcome this, many of the banks have been creating teams of specialised business managers who, they hope, will be better able to judge the business propositions put to them.

The problems bankers and small businesspeople have in understanding each other have been well documented. The National Economic Development Office (Nedo) drew attention to the "inefficiencies" of bank lending to small companies and the relatively high cost to them of funds.

But neither have small business people been ideal partners for the banks. A Midland Bank survey published in 1986 showed most small businesses were weak when it came to producing management accounts, in costing their activities and in the areas of financial forecasting, analysis of debtors and stock control.

Many of the banks have been creating teams of specialised business managers

For this reason it is the advice and information packages which represent the most interesting aspect of the latest bank campaigns, rather than the financial incentives they offer.

If small business people can be persuaded that up-to-date financial information is essential to the running of their company, and not just a chore to be carried out for the bank manager, failure rates could be substantially reduced, bankers believe.

This has prompted some banks to encourage their customers to use accountancy software packages. BankLine, an electronic banking service unveiled by NatWest last October, offers the Multisoft accountancy package, which allows a businessman to reconcile his books with his bank account, for about £3,500. Midland's Credo service includes a 20 per cent discount on a package supplied bu an accountancy software company, Safeguard Systems.

The Lloyds' link with Dun & Bradstreet (which the bank says is worth more than £200 to its customers) represents an interesting departure. It is an attempt to help clients overcome the bane of small businesses – the late or non-settlement of debts.

The growing number of small business support programmes set up by local authorities, the government and the European Community, have made it difficult for the small company to track down the scheme best-suited to its needs.

To overcome this problem Barclays launched a computerised grant-finding service in February. About 360 grants are available in the UK from 40 organisations, the bank said. The service, which is free, is being run jointly with accountants Deloitte Haskins & Sells and makes use of a database created by the University of Strathclyde. The printed lists of schemes which some banks have produced in the past are out of date as soon as they appear, Barclays said.

Despite a revival of interest in taking up loans under the government's Loan Guarantee Scheme, the LGS appears unlikely ever to regain its initial popularity.

The government recently announced a number of moves to make the scheme more accessible and attractive to small firms. It will no longer require banks to refer loan applications for up to £15,000 to the Department of Employment, knocking a week or more off the time needed to process the loan request. Bank managers found the need to ask permission for these small loans irksome and insulting.

The government will also allow the 2.5 per cent premium which has to be paid for the guarantee to be paid in advance, vastly simplifying the banks' calculations of the annualised percentage rate of interest required by the Consumer Credit Act of 1985. NatWest said it had had to write a special computer programme to handle this calculation previously.

The government has increased the cover provided by the guarantee to 85 per cent in the 16 inner city urban task force areas, from the 70 per cent cover available generally. This may also make the banks more willing to lend under the scheme.

There is the possibility of further modifications to the scheme since it is currently being reviewed by a firm of consultants.

The decline in popularity of the LGS reflects in part the increased willingness of the banks to lend to small business without a guarantee, the bankers claim. What is certain is that the attitude of the banks to their small business clients has undergone a marked change in recent years.

Charles Batchelor

● **Case study**/Fast Frame

The FastFrame management team (from left to right): Maggie Hewison, franchise director; Ray Blake, technical director; Ian Johnson, chairman and chief executive; and James McGreal, managing director

The very picture of growth

IT LOOKS increasingly as though Fast Frame was an idea waiting for its time to come. The time came in 1983, when Ian Johnson agreed to look after a friend's Newcastle art gallery for a few weeks so that the friend could take a holiday.

He discovered that the gallery's backroom framing business was in a mess, and that this was nothing unusual in what has always been little more than a cottage industry of individual craftsmen. It took three weeks to fill a typical order – a deterrent to custom, a brake on turnover and a miserly use of working capital.

What would happen, Mr Johnson reasoned, if modern, labour-saving machinery could be used to de-skill the job and provide an almost instant service? Of course, this would mean not operating in the trade's usual haunts of low-cost back street workshops or upstairs rooms over shops reached by hard-to-find staircases in side passages.

What framing needed, he thought, was the same sort of transformation that has revolutionised the holiday snapshot business and opticians – high-profile sales points in the high street where framing could be done while you waited, or at least while you did the rest of the shopping.

He started in Newcastle with two shops and the business has never stopped accelerating. Finance was by overdraft, guaranteed by the successful printing business which Mr Johnson, a time-served compositor, started with a friend 20 years ago at the age of 23.

The printing business turns over £1.75m now and employs 30 people, but pales beside Fast Frame. There are Fast Frame shops in 57 prime retail sites around Britain now, and 14 in California. A new shop opens every three weeks. The US operation is about to spread to Chicago and New York.

Last year's turnover of £4.7m is expected to double in 1988. However, the rules of small business life still apply: despite its growth Fast Frame is a collection of tiddlers because Mr Johnson decided to expand by franchising his small business system.

Franchisees pay £34,000 to join the network, which has to include £15,000 in cash so that they do not start out over-geared. NatWest, Barclays, Lloyds and the Royal Bank of Scotland all offer packages to lend the rest over five or seven years. Once in, franchisees pay a 12.5 per cent royalty on annual sales, half of which goes on national marketing and promotion.

In return for the initial outlay, Fast Frame finds, rents and then sub-leases the high street premises to the franchisee at cost, fits out and equips the shop and adjoining workshop, lays out the retail and production areas for proven maximum efficiency, and provides training and regular updating in retailing, selling and production technique and management.

Shops are carefully rationed by a combination of postal codes and population density to give each a viable territory. Mr Johnson reckons that this will mean a maximum of 175 in Britain. Keeping a consistent corporate image goes right down to Fast Frame supplying each outlet with its paper clips, coffee cups, vacuum cleaner and mop bucket – although Mr Johnson chose corporate colours of red and blue to make local replacement of breakages easy.

Franchisees buy their own raw materials – mainly mouldings for the frames – but using volume discount agreements Fast Frame has negotiated with the suppliers. The suppliers, who have seen their own sales volumes shooting up in the wake of the expansion, have adjusted by making mouldings in shorter lengths than the traditional 11 feet, so that they can be stacked on end in workshops with 9-foot ceilings.

What was needed was the treatment that had revolutionised the holiday snapshot business

Mr Johnson and Mr James McGreal, managing director and financial specialist, say that all franchisees have been well-motivated people wanting to get into self-employment or small business. They range in age from 26 to 60 and many are husband-and-wife teams.

Eleven of them want to open another outlet so as to expand themselves and there are 30 people on Fast Frame's waiting list to join the network, each of whom has paid a £1,000 deposit (returnable less costs) as a token of earnestness. Mr Johnson says: "Only the shortage of good retail sites is holding us back. We wait and pick and choose very carefully. You have to be where everyone can see or find you easily. Nevertheless, we are expanding as fast as we can."

Average turnover per outlet has been rising continuously since the first franchisee started up in Glasgow in 1984 – according to the well-kept, hand-drawn charts on Mr McGreal's wall in the company's Sunderland headquarters (HQ will move to Newcastle when bigger premises have been fitted out, incidentally).

The range is between £70,000 and £170,000 and the average will be around £100,000 this year. Average employment per outlet is three. The average order is worth £25 and can be turned round in about 20 minutes. The £8,000-worth of frame-making and associated equipment which comes with each franchise can do £250,000 of business if it could be worked flat out.

In the US, prices are better and demand is already higher, so average turnover is 1.75 times higher. There, competition comes from a franchised do-it-yourself framing chain, where customers are shown how to use similar equipment to make their own frames. Mr Johnson thinks this cuts down the opportunity to add value to each sale by guiding a customer to the aesthetically best combination of mounts for the picture or object being framed.

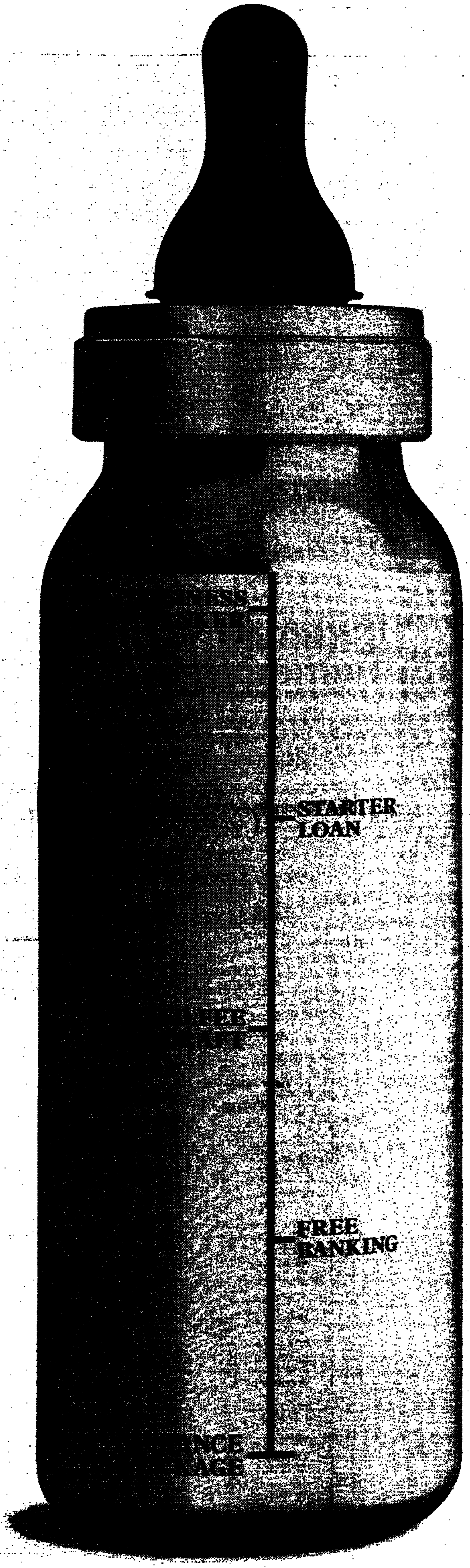
The US operation is run Mr John L Scott, the former marketing director of the Tyneside-based Prontaprint, one of the first all-British franchise chains. Mr Scott has the US master-franchise licence.

Mr Johnson says that this actually makes Fast Frame the only British company franchising its operation in the US, since the Body Shop, Tie Rack and Sock Shop stores there are company-owned, not franchised. It is the sort of point that as vice-chairman of the British Franchise Association he takes some pleasure in scoring.

There is also an outlet in Australia, and Mr Johnson now hopes to expand into Europe, where he is looking for master-franchisees who would partly own and run the operation in their own national markets.

Will he eventually float the company? The benefit would mainly be his, since he owns 75 per cent of the equity, as against 5 per cent each among five other directors. He says: "We don't need to raise capital to expand, so the only reason would be to realise some of my stake. I can't see the point. I enjoy what I'm doing and want to continue without having to do all the things that public companies have to do by way of accountability to shareholders."

Ian Hamilton Fazey



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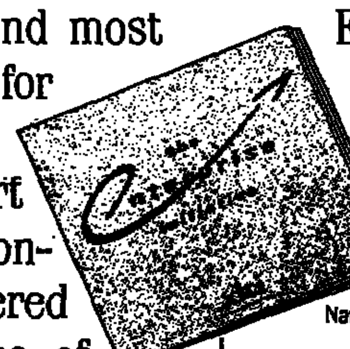

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The franchising garden still has its weeds: proceed cautiously

Take professional advice

THE PERILS and pitfalls of franchising as a small business system have been amply demonstrated in recent years by several companies which have found that success is not guaranteed by using franchise methods.

The Young's Franchise Group, for example, which was one of the longest-established franchise operations in the UK with trading companies such as Pronuptia and Young's formal wear, was forced into receivership in late 1985 with debts estimated at £3.75m.

The company, however, was subsequently bought by Mr Cyril Spencer, a former chairman of the Burton Group, as a going concern and is now trading successfully after new management and capital were brought in.

Another recent example of the problems of running a small business was given by Flash Trash.

Flash Trash was aimed at yet another small niche retail market — selling high fashion, colour-co-ordinated accessories ranging from belts to bangles. Within a few weeks of its first two branches being opened in central London the company — which had decided to expand through franchising — was delugedwith 400 or so applications to franchise the concept.

Flash Trash looked a winner and a good prospect for franchising. It was supported by pension funds and the National Westminster Bank, one of the leaders in the provision of finance to potential franchisees.

Yet Flash Trash recently went into receivership, leaving accountants Ernst & Whinney to find potential bidders for the operation as an on-going business. Fortunately, no franchisees had yet started up a Flash Trash outlet.

Other franchises have not always been so lucky, even though franchising generally has a lower failure rate than for other types of small businesses.

"The franchise garden still has its nettles, weeds, and wasps," points out Mr Roy Seaman, publisher of the UK Franchise Directory. "You really do have to take time and good professional advice to pick the right company."

The British Franchise Association — the main trade body for the franchise industry — has made great strides in recent years in weeding out some of the "cowboy" operators attracted to the sector.

Mr Tony Dutfield, director of the BFA, points out that "as franchising has grown in popularity, the industry has begun to attract a number of people who have sought to use its success for their own businesses, without necessarily adopting the same ethical procedures."

He adds: "This has confused the overall picture and made it increasingly difficult for prospective franchisees to evaluate the options open to them."

Even so, there is no shortage of both companies and individuals who want to become involved in franchising. A survey commissioned by the BFA and sponsored by National Westminster Bank shows that last year there were over 169,000 people directly employed in franchising, compared with 150,000 in 1986.

The survey also indicated that there were some 253 businesses which confirmed to the BFA's view of an ethical franchise operation — although trade directories have suggested that there are a further 150 companies claiming to be involved in franchising.

Annual sales through franchising last year, according to the survey, reached £3.1bn — representing some two per cent of all retail sales. By 1992, according to the BFA, sales through franchising are expected to reach £7.7bn.

What will continue to fuel this growth are the basic factors which have made franchising such an attractive proposition to both companies and individuals. Mr David Acheson, managing director of Stoy Hayward Franchising Services, points out in a new survey on franchising (published by Jordans) that "such is the power of franchising that it can transform one man's dream into a giant international business within the space of two or three decades".

Thus, he explains, "a milk-shake mixer salesman expanded a hamburger store into the world's largest restaurant business — McDonalds — in 30 years through franchising." Other notable examples of successful international franchising have included the Body Shop and Benetton in retailing and Kentucky Fried Chicken and Wimpy in fast food.

For companies — the franchisor — the advantage of franchising is that it enables the business to be expanded more rapidly and with less capital and management. The franchisor, according to Mr Acheson, "supplies the business formula, the experience, the advice, and the on-going supervision".

The disadvantage for franchisors is that poor franchisees can damage the reputation of the business. Both Wimpy and Kentucky Fried Chicken have in the past suffered from this problem, forcing management to take action to restore their image with the public.

For individuals — the franchisees — franchising offers many of the benefits of self-employment while at the same time reducing the risk. The loneliness of the small business operator is to some extent mitigated by the close relationship with the franchisor — although some franchisees find this closeness irritating and prefer to branch out entirely on their own.

The experiences of the past few years has made both franchisors and franchisees more wary of each other. "It is important to remember that franchising is not necessarily the right environment for everyone and a few franchisors will inevitably withdraw from the market from their own choice and not from failure," points out Mr Dutfield.

At the same time, reputable franchise companies are looking for a higher standard of franchisee. "Franchisee selection is becoming more sophisticated and franchisees themselves are more aware of what is required," says Mr Dutfield.

There is no guaranteed means for individuals to make sure that the potential franchise operation will prove successful. The BFA produces a basic guide to franchising and there are a number of excellent books on the subject. They all, however, give the same basic advice: act cautiously and with common-sense.

In the longer term, the UK franchise industry believes that growth will come not only from within the UK but also from continental Europe. "Given the 1992 de-regulation of the EC, when tariff barriers will disappear, this will mean a potential market for franchisors larger than in the US," points out Mr Dutfield. "It would be a foolish franchisor who did not seek to take advantage of this opportunity."

* *The British Franchise Association, Franchise Chambers, 75a, Bell Street, Henley-on-Thames, Oxon, RG9 2BD. Telephone 0491 578049.*

David Churchill

Pensions

State will no longer provide

THE NEW pensions environment brought about by the 1986 Social Security Act came into being this month. Its impact will be felt throughout the whole business community, and particularly by small businesses.

Pensions are not a top priority in most small businesses, but while those running the business can still neglect their own pension arrangements, they can no longer ignore those of their employees and leave pension provision to the State.

There are usually three basic reasons why small businessmen have not made any pension arrangements for employees:

- Too involved in running the company to devote time and effort to company pension arrangements;
- Too much expense, particularly with final-salary based schemes with their open-ended financial commitment;
- It was not the employer's responsibility to provide pensions for employees.

The new pensions environment is changing these attitudes. All employees and the self-employed receive the basic flat-rate pension from the State. On top of this, employees receive a second-tier pension from the State Earnings-Related Pension Scheme (Serps), unless they are contracted-out.

So employers who made no pension provision for their employees automatically put those employees into Serps. Under the old benefit structure this was not a poor decision.

However, one of the many major changes in the Act, which has received less attention than the other changes, is a drastic cutback in benefits provided by Serps. An employee retiring in the next century, relying solely on State benefits, will get a very poor pension. If the employer does nothing, an employee, by default, is in Serps.

The employer can still do nothing and leave it to individuals to take the necessary action to ensure an adequate income in retirement. Another major change in the Act was the introduction of personal pensions for employees which can be used to contract-out of Serps and these will be available from the beginning of July.

However, the employer can set up the necessary company arrangements to provide adequate pensions for employees.

Those who are self-employed should arrange a retirement annuity contract before July

Another major change in the Act was to make it far easier for employers, particularly smaller companies, to set up company schemes that could contract-out of Serps.

Under current conditions, employers can contract their employers out of Serps, paying no more than the present full National Insurance contributions. Yet for all but the older employees, the benefits provided are better than Serps.

To encourage employers to do just this, the Government is paying until 1993 a 2 per cent contribution incentive to all pension arrangements contracting-out of Serps for the first time.

Employers can either set up a group personal pension scheme from a life company or other personal pension provider. This is simply a collection of personal pensions for all or for selected employees, involving the very minimum of administration. Alternatively, employers can set up a company money purchase scheme for minimum cost, though this would involve more administration.

In either case, employers and employees can make extra contributions if desired. But as far as employers are concerned, the cost of running the scheme is under their control.

Most life companies are promoting the group personal pensions route for small businesses. The views of these companies is expressed by Mr Nick Johnson, development manager of General Accident Life, as being ideal for the small business — flexible, low cost, good benefits and with little adminstration.

For the employers' own pension arrangements, the approach depends on whether they are incorporated or self-employed. The changes being made will have minimal impact on the self-employed. The new-style personal pension is based very much on the existing retirement annuity contracts, which have been available to the self-employed for over three decades, but with two important exceptions.

First, under the new personal pensions, the benefits can be taken any time between the investor's 50th and 75th birthdays, both days inclusive, whereas on the current retirement annuity contract benefits are available between the investor's 60th and 75th birthday.

Second, under the new personal pensions, the investor can take up to 25 per cent of the contract's value in a tax-free cash sum, the remainder having to be taken in income form.

With retirement annuity schemes, the formula for calculating the amount of tax-free cash is complex, but the percentage increases with age and is usually greater than 25 per cent.

So those who are self-employed, and do not have a retirement annuity contract that can take increasing premiums, should arrange one before July, even if only for the minimum contribution. It is always possible to switch from a retirement annuity contract to a personal pension, but not the other way round.

Those who are incorporated can set up their own company pension arrangement for themselves and any other director or executive — known as an executive pension arrangement. This can take the form of a scheme from a life company, a scheme run by the individual themselves, known as a small self-administered scheme, or a hybrid of these two arrangements arranged by a life company.

Prior to last year's Budget, such schemes could provide maximum pensions after only 10 years. Now the minimum period over which a small businessman could build up to maximum pension of two-thirds of earnings is 20 years.

Nevertheless, these schemes do allow for profits and assets to be set aside from the business into the employer's pension arrangements. But it is necessary to start making arrangements that much earlier than before, rather than waiting until retirement is approaching.

Many small businesses are reluctant to lock away assets into a pension arrangement. However, with these executive schemes, assets can be partially unlocked through a loan-back arrangement — the pension scheme lends money to the company on a commercial arm's-length basis.

Indeed, the executive pension scheme can provide the small business with an alternative source of finance, both through loan-backs and by sale-and-lease back of property.

Eric Short

● **Case study**/Konix

Mr Wyn Holloway: right end of the stick

Joy ride to expansion

BY THE end of this year Konix will have undertaken a £500,000 expansion that will double the size of its plant to around 20,000sq ft at the top of one of South Wales' industrial valleys.

"We have taken the decision to go ahead because if we want to grow we simply must have more space," says Konix's founder and chief executive, Mr Wyn Holloway. Just another expansion, at just another factory, turning out just another product, might be the first reaction. Except that Konix is not just another company: three years ago Konix did not exist. Today, it has an annual output of £8m and sells 70 per cent abroad, much of it to the US.

Konix is one of the success stories of South Wales, a company that is turning the one-time land of steel and coal into a land of high technology. Mr Holloway is one of the new breed of entrepreneurs backing hunches that are turning them into self-made wealthy men.

Three years ago Mr Holloway was selling computer games over the counter of his shop in an inner suburb of Cardiff. To his dismay he discovered that half the joysticks he sold with the games found their way back to him with faults. A lesser man might have fobbed off his customers with excuses. But Mr Holloway was determined to give service and so, using his carpentry know-how, designed a joystick that would not fail.

A friend advised on the electric and mechanical parts and Mr Holloway built his own model, the Speedking. Today he sits in a modern office and looks down the valley to Ebbw Vale to the remains of what was once one of the best steelworks in the world but is now much reduced in scope.

Mr Holloway, now just 39, employs around 90 people making a range of joysticks that have won a way into the most demanding market in the world, the US, taking on and beating the Japanese along the way.

In America he has a major contract with Hasbros Electronics,

He has won a way into the most demanding market — the US

which is to the toy industry what Boeing is to aerospace, the company that produces Fisher-Price, MB Games and My Little Pony. In Europe he has won orders from Micropool, the buying group for Rushware in West Germany, Innelec in France and Serma in Spain.

From nothing to an annual turnover of £8m in 27 months — he started just before Christmas 1986 and moved into his present plant three months ago — is fast going. But he is determined to press ahead because he believes that without growth there can be no progress. He is launching three ranges of products this year aimed at both home and business use of joysticks. The first will be on show at the Chicago Electronics Fair in June, the second at the PCW show in London in September, and the third in both the UK and the US just before Christmas.

One contract with Hasbros is typical of the way in which Konix works. The American concern asked Mr Holloway to manufacture a particular type of joystick. He thought it uncomfortable, redesigned it with the Americans' approval and is now making prototypes. By August the joystick should be in production — and an extended plant needed.

Over-concentration on one product can lead to unhealthy exposure if the market changes and Mr Holloway is planning to secure his base by diversifying into a number of associated product areas. "We have taken on a number of engineers to broaden our field and we intend to produce a wider product range," he says.

In particular, he has ideas for home electronics, such as electricity storage heating units which, he claims, have created a big impression with one of the English electricity boards. He would also like to move into smoke detectors and burglar alarms, all using Konix's electronics know-how and production potential.

Such an expansion would involve even more space than that already planned and as he looks out from his window, over the white low-slung Corvette with the deep-throated engine, that is his other passion, he enviously eyes a prime site right across the road. It would obscure the view of Ebbw Vale if he built on it, but that would be a small price to pay.

Anthony Moreton

Small and medium-sized businesses in Japan

Important role in retaining local jobs

SMALL AND medium-sized businesses are the vertebrae of the Japanese economy, employing four out of five workers. The official definition of such businesses is, in manufacturing industry, those employing fewer than 300 workers and with a capitalisation of less than Y100m; in wholesaling, fewer than 100 workers and a capitalisation of less than Y30m; and, in retailing and other service industries, fewer than 50 workers and a capitalisation below Y10m.

Tellingly, small and medium-sized businesses, are often referred to as "local industries"; their role in keeping jobs in local areas is an important one. These businesses are rarely the entrepreneurial outfits, new high-tech service industries, or seed beds of innovation they might be in Britain or the US.

Instead, small and medium-sized firms form the long-established and close-knit network of sub-contractors and local distributors that traditionally support the big industrial groups that are the heart of the economy. Alternatively, they are small low-value-manufactures exporters in their own right. They account for about two-fifths of Japan's total exports and half of its total industrial output.

Those under the protective wing of a bigger group can sometimes look to their patron to cope with the difficulties brought on by the restructuring of Japan's economy away from dependence on exports for growth to domestic demand. The rest look to the Ministry of International Trade and Industry (Miti).

The ministry is sponsoring new legislation in the present session of parliament to help small and medium-sized firms co-operate to deal with the quickening pace of technological change; the diversification of domestic consumer markets; and the appreciation of the yen since 1985 which has hurt their own exports and brought in imports from the newly industrialising countries (Nics) such as South Korea and Taiwan which compete directly with their own products.

Competition from the Nics was identified by the government's recent white paper on small and medium-sized businesses as a particular long-term threat to Japanese small business, which at the same time is losing its traditional Japanese big-business customers because they are moving their own production facilities abroad.

Under the proposed law, for the next 10 years, Miti will make available subsidies, loans and tax breaks to firms in each of the more than 500 product sectors into which the ministry divides small and medium-sized businesses. These will be used to get the firms to set up trade associations which will combine their different technologies to develop and market new products and services. For the financial year to April 1989, the ministry has pencilled in to its general account budget Y1.24bn for the scheme, plus a further Y1bn into its industrial investment special account for the year for the same purpose.

Getting small and medium-sized firms to co-operate to get the maximum value-added out of their technologies, so they can move their products upmarket and develop new products, is now at the forefront of the government's strategy for small and medium-sized businesses. The firms' own lobby, the National Federation of Small Business Associations, has been active in promoting such co-operation.

Now Miti is taking a stronger hand in the process, though it has already been helping to restructure the small-business sector through existing schemes run by its small and medium sized business agency. These provide low-interest loans (up to Y350m at less than 5 per cent) and retraining, particularly to help small firms in low-tech export-oriented industries diversify into new higher-value-added businesses, or to adapt existing product lines for the domestic market.

Any firms that fall through that net get caught by the agency's parallel regional development schemes. Through the quasi-official Japan Small Business Corporation, government money is also made available for management training.

Longer-term development of high-tech start-ups is to be done under the aegis of the government's Technopolis project. This is a scheme for the 1990s and beyond, and the idea is to bring together a university, local government and industry to create a sort of high-tech market town.

Unlike American and European science parks, technopolises are not primarily intended to turn academics into entrepreneurs but to promote basic research on which new local high-tech industries can be promoted. Some 18 of them are planned, scattered around Japan's regions, and are seen by the government as part of its national policy. They will be in the tradition of small businesses in Japan: to create jobs first, millionaires second.

James Andrews

The US

Agency seen to hinder rather than help

THE SMALL Business Administration is not numbered among the more admired agencies in Washington, DC.

David Stockman, the former budget director, called it a "billion-dollar waste – a rathole" which misallocates its funds to the least efficient users.

To the Wall Street Journal the SBA serves "as a petty cash fund for Congress" whose members get funding for favoured constituents. It is also unpopular with many in the business community it is designed to serve.

A poll of the members of the National Federation of Independent Business found that 80 per cent of its members believed the SBA has a neutral or negative effect on their businesses.

Although the Reagan Administration has frequently tried to kill the SBA, it has survived to remain the largest single dispenser of government help to small business in the US. For 1989 it proposes to make $130m available for business loans and investments. This would include the long-term, low-cost loans of up to $150,000 it gives to minorities, the handicapped, Vietnam veterans and entrepreneurs in areas of high unemployment. The agency also provides guarantees for 90 per cent of loans for up to $500,000 made by private lenders.

The SBA has asked for a 1989 $265m budget for disaster assistance. Its surety bond guarantees are expected to cost about $11m. The agency also lends to groups of local citizens for area improvement projects, small general contractors, firms developing energy resources, and small businesses installing pollution control facilities.

The agency supports numerous counselling services, including the Service Corps of Retired Executives and the Active Corps of Executives. Its Small Business Development Centres, funded with the states, are designed to set up "one stop shopping" assistance for all fledgling businesses in need of help.

Despite attempts to kill it off, the SBA has survived to remain the largest single dispenser of government help to small business in the US

Other forms of assistance are available to small businesses. Virginia, for example, has a Working Capital Loan Guarantee Programme, which guarantees half the principal, up to $50,000. An Industrial Revenue Bond scheme makes available floats to finance businesses which would otherwise not get funding. In response to strong local demand, the state has established four "incubators" – three of which are connected to universities – and two more are being developed.

Georgia has available infrastructure financing for economic development projects which promise considerable employment potential. The state co-finances loans which are matched equally by the private sector, and a "quick start" programme pays the training cost of employees of new businesses.

Georgia's Small Business Revitalisation Programme assists with financial planning and steers neophytes to government loan schemes. State universities have established small business development centres, which provide free consulting services in addition to the three full-time staff consultants maintained by the state.

The US Export-Import Bank has several programmes for small business trade finance in the hope of boosting American exports. Under its working capital guarantee programme, Eximbank has backed 150 transactions over the past four years, totalling about $176m.

The agency has set up joint programmes with three cities – Columbus, Ohio, Los Angeles and Tucson – as well as three states – California, Maryland and Massachusetts – where local personnel are being trained to hand out Eximbank money. Los Angeles has allocated $800,000 for its share of the joint effort.

The small business schemes have been raised to high visibility. In Eximbank, where officials see the sector as offering the greatest hope for the future of the American economy because of the innovations they inspire and the employment they create.

Nancy Dunne

West Germany

Rigidities abound

WEST GERMANY'S small businesses play a central role in the country's economy, but many of their owners are becoming increasingly disillusioned about the conditions under which they have to operate.

Not only are they less than enthusiastic about the short-term growth outlook, but they have also grown disenchanted with the conservative-liberal coalition Government, supposedly pro-business and committed to making their life easier.

In recent months, Chancellor Helmut Kohl's administration has come under fire from bankers and industrialists for two main reasons. First, some think it could have done more to revive a flagging economy. Second, and more fundamentally, it is charged with being too sluggish in removing some of the oft-discussed rigidities which are likely to inhibit future job creation and competition.

On the first count, the Government is now able to breathe a little more easily. Economic prospects for 1988 have brightened, not least because of the milder winter, and economists' projections have been revised upwards. But there is concern about next year, when there will be no tax cuts to help consumption. The next, and final, round of reductions will be in 1990.

One of Germany's small business associations, the Munich-based VMU (Vereinigung Mittelstaendischer Unternehmer) takes a poll of its members each year on economic prospects and how the actions of the Government are viewed. This year, the verdict on both was a clear thumbs down. Asked how they judged Government policies in general, only 14 per cent thought them to be good, while 43 per cent said they were adequate and 43 per cent inadequate.

When the questioning turned to Government policies towards the Mittelstand (small and medium-sized businesses), the response was even frostier. Only 6 per cent felt able to describe them as good compared with 17 per cent in each of the previous two years, while 31 per cent thought them adequate and 61 per cent dismissed them as inadequate. A small percentage had no reply.

One of the key complaints is the high level of taxes in relation to other countries

One of the key complaints is the high level of taxes relative to other countries. Even after the planned reduction of corporation tax in 1990, companies' total tax burden will still be far higher than in the US, the Netherlands or Britain, though not so far above that in France. Also irritating companies of all sizes are the big subsidies still granted to the coal, steel and farming sectors.

Companies quizzed by the VMU were overwhelming in their condemnation of Germany's restrictive shopping hours, widely regarded at home and abroad as inhibiting the development of job-creating retail and service activities. Under German law, shops may only open on one Saturday afternoon a month and have to close on weekdays at 6.30pm. The Government has promised a limited relaxation of the law to allow late opening on one day a week, but opponents of the present system say this is not far enough.

There are other areas of inflexibility which many businessmen would like to see improved. These include transport, telecommunications, and insurance.

However, there are actions of which they approve. The recent programme of subsidised loans to small businesses and local authorities, channelled through the Kreditanstalt fuer Wiederaufbau, has stimulated some new investments, though it is hardly seen as a major boost to the economy.

Regional efforts to promote new ventures are also bearing fruit. Germany's main technological thrust has been in the south, but there have been state-promoted attempts to change this. In the north in Lower Saxony, Hanover has set up a medical park which it hopes will create up to 2,000 jobs. It is offering attractive incentives to tempt high-tech foreign and German companies to an area with a strong background in medical science.

As life in industry and commerce becomes tougher and faster-moving, more attention is being focused on the employment and innovative potential of smaller companies. In Germany, they account for about half the Gross National Product, two-thirds of employment, and most industrial training. So a Government which incurs their displeasure, or fails to provide a responsive and flexible enough environment for them to expand, is on shaky ground.

Andrew Fisher

France

Many new measures

THE FRENCH government has launched during the past few months a whole series of initiatives designed to enhance the competitiveness of small and medium-sized businesses in France.

Although the small business sector had an encouraging year in 1987 and prospects, despite the October stock market crash, continue to be good this year, the government is anxious to prepare the country's small and medium-sized enterprises for the challenges of the unified European market of 1992.

In key areas like management and technology, the French authorities feel that French small businesses are still trailing behind their counterparts in West Germany or the UK. For this reason, the government has taken a number of general and specific initiatives to improve the competitive environment of small enterprises. The broad measures have included the reduction of fiscal and social charges, the lifting of price controls and the introduction of greater flexibility in labour regulations.

Under Mr Alain Madelin, the right-wing industry minister who has been one of the leading champions of free market liberal industrial policies in the government, state interventionism has been scaled down considerably in French industry.

Mr Madelin has sought during the last two years to replace the old French system of large direct state subsidies to support the development of industrial and other business sectors in France with a more open free market approach based essentially on lower interest rates.

But if direct state subsidies for industrial investments have dried up of late, the government has doubled its support for research and innovation. The financial resources of Anvar, the government agency responsible for promoting research and innovation, have been boosted while preferential rate loans for research investments by small and medium sized businesses have been increased from FFr800m last year to FFr1.6bn this year.

Mr Madelin has also restructured his ministry to enhance the management consultancy services his department can provide to small and medium-sized enterprises. This has been backed up by new regional funds to encourage small businesses to seek the advice of management consultants. Funds have also been increased to help small and medium-sized businesses modernise themselves and adapt to new technologies.

Support has been doubled for research and innovation

Anvar now also helps subsidise the hiring of new management executives by small and medium-sized companies. "The quality of management has long been a problem of small businesses," explained Mr Jean-Francois Saglio, the top civil servant at the industry ministry. "We are now trying to encourage small businesses to attract experienced young management cadres," he added.

At the same time, the government has been trying to strengthen the links between industry and research as well as making it easier for the small business sector to benefit from technology transfers. Mr Madelin has now set up so-called "poles of competitiveness" designed to encourage these links between industry and the huge reservoir of research from French universities and government laboratories.

Science and technology parks have also continued their development in France. Perhaps the most successful of all is the Sophia Antipolis park near Nice in the South of France which has attracted major international high technology companies as well as large French groups. The park has also helped new small and medium-sized businesses to start mushrooming in the area, boosting the region's efforts to diversify its economy from its traditional tourist base.

But Mr Saglio, the directeur generale de l'industrie at the industry ministry, acknowledges that financing remains the biggest problem for the French small business sector. Small businesses still have to pay much more for their investment loans than large enterprises. Even though interest rates have been gradually coming down in France and the interest rate differential between small and large businesses has narrowed, small businesses still have to pay in general about 1.5-2.5 per cent more for their financing than the big groups, according to Mr Saglio.

Paul Betts

Case study/Hiron Games

Inventor hits games market on the head

MAUREEN HIRON approaches the business of making and selling board games with the briskness of the games mistress she once was. Better known competitors are dismissed for their lack of inventiveness; the banks are slated for their timidity in backing new ventures; and the merits of her own products sung with a breathtaking immodesty.

For all her distaste for convention – her usual dress is jeans and zip-up jacket emblazoned with the names of the games she has invented – she has achieved considerable success in a notoriously difficult market. The games business is very seasonal, is dominated by several large US and British companies with large promotional budgets, and demands a constant flow of new ideas.

Despite an early set-back when Hiron Games' distributor folded, leaving the company with debts of £100,000, a group of city investors has been persuaded to provide financial backing. Turnover in the year just ended was around £350,000 and the company was back in profit, says Mrs Hiron. The stock market crash has not prevented Hiron Games planning for a public listing in 1989.

Mrs Hiron came into the games business by an unusual route, though both she and her husband, Alan, have played bridge at international level. Leaning out of a schoolroom window one day she was struck by a falling piece of metal and invalided out of teaching. Mrs Hiron believes that the blow she received to her head touched off a creative streak which has given her the ability to devise new games.

Using her disability payment from the local education authority, and with the help of friends, she raised £45,000 to set up in business in 1982. Her first product was a game called Continuo, which consists of small squares of card covered with a pattern of smaller squares in different colours. Players must match the smaller squares to create chains of the same colour. The more squares in the matching chains the higher the score.

With a hand-made set of Continuo, Mrs Hiron did the rounds of the retail buyers. Within six weeks of the game coming onto the shelves it became a top seller, she says. It sold 200,000 in the 1982 Christmas season and sales now total 2m.

Mrs Hiron now has about 10 games on the market, including Quizwrangle, a trivia-type game; a triangular version of the original Continuo; and Cavendish, a game based on the ancient Japanese game of Go-Moku. Cavendish, Maureen Hiron points out gleefully, has sold very well in Japan.

Successful board games have certain key ingredients, she explains. They must appeal to a wide age range and must be strongly visual. The first allows children and adults to enjoy the game at their own level while the second means the games can be exported to overseas markets with the minimum of modification.

Maureen Hiron: successful board games have certain key ingredients

Pricing is also very important. Prices have been kept low – the cheaper games cost not much more than a good set of playing cards – so the customer has a feeling of getting value for money. In the early days the low prices meant store buyers could risk stocking an untried game without risking too large a part of their budget, Mrs Hiron notes.

The stock market crash has not prevented Hiron Games planning for a public listing in 1989

To enable the company to weather the fluctuations of demand between pre-Christmas feast and spring and summer famine, Hiron Games contracts out the manufacturing. The printing, box manufacture, assembly, packing and distribution are all carried out by outside companies.

Mrs Hiron says she managed to repay the debts left by the collapse of the original distribution company. But additional money was needed to rebuild a distribution network and create the commercial organisation needed if Hiron Games was to expand. It was for this reason that outside backing was sought.

The company's financial backers have strengthened the management with the appointment of a managing director, sales director, company secretary and an accountant. With the manufacturing contracted out, this small team could support a much higher level of sales without any increase in overheads, says Mr Geoffrey Hamilton-Fairley, the managing director.

Many games inventors decide at an early stage to sell their ideas to an established company. Maureen Hiron says she was determined to work for herself. Her company's future independence rests on the new management team winning the commercial game.

Charles Batchelor

Charles Batchelor on the European Community

Single market opportunities

SMALL BUSINESS has come to occupy a more prominent place on the European Community's agenda over the past few years. The seal will be set on this progress over the next two months with two Community Council meetings devoted to smaller firms' issues – the first time the subject has been accorded such prominence.

The first meeting, an informal event on May 6, will be held in Germany at the invitation of the Bonn government. The second, in Brussels on June 7, will be a more formal affair to look at questions such as the expansion of the Community's network of information centres or "guichets" and attempts to foster co-operation between smaller companies.

These meetings reflect in part the enthusiasm of the German government – currently chairing the Council of Ministers – for a crucial sector of its own economy. They also mark a growing realisation within the Community as a whole that it will be the smaller company which provides new jobs in future, while the larger employers continue to contract.

Smaller companies will provide the new jobs

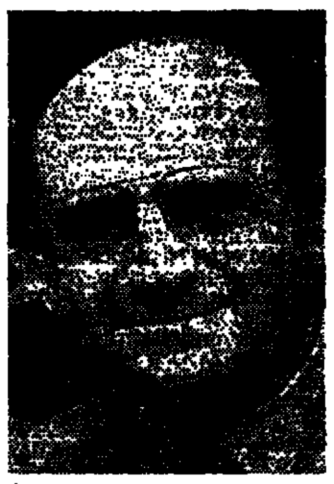
But despite all the efforts of the European Commission to proclaim itself the friend of the small and medium-sized enterprise (SME), for most small firms the activities of the EC remain shrouded in mystery.

Most small businessmen and many of their lobby groups are uncertain what the EC can do for them and suspect that what it is doing is likely to make life more, rather than less, difficult. In addition, some member governments – notably France and Germany – were initially suspicious that Brussels would meddle in their existing small firms' policies. But the Commission now believes that the fears of the governments at least have been dispelled.

A problem facing the Commission in the battle for the hearts of the Community's small business lobby is that many of its actions do not have a direct impact on smaller companies. They are interpreted by the lawmakers in the individual countries. There is the temptation for responsibility for any benefits to be claimed by the local politicians; any disadvantages are blamed on Brussels.

The need to understand what the Commission is doing has become more urgent with the approach of the 1992 deadline for the creation of a single internal market. This is expected to create opportunities for aggressive businesses but may expose many small firms to far harsher competition.

Mr Alan Mayhew: heads the small business task force



Mr Abel Matutes

The responsibility for improving the lot of the smaller firm lies with Mr Abel Matutes, one of the two Spanish Commissioners. He was appointed at the start of 1986 to be the Community's first Commissioner with a specific role to develop the SMEs.

A businessman with extensive interests on the tourist island of Ibiza, Mr Matutes, who is 46, is widely seen, even by critics of the EC, as well qualified to understand the needs of the small businessman.

Together with his fellow commissioners, he has developed a range of initiatives aimed at simplifying the Commission's rule book to ease the burden of red tape on smaller companies; at increasing cross-border co-operation between small firms; and at establishing a Europe-wide information network to help businessmen trade across national boundaries.

The most recent proposal unveiled by the commission was aimed at boosting cross-border co-operation between small high-technology companies. It calls for a Community-funded guarantee which would insure venture capital companies against 50 per cent of losses on their investments. The guarantee would be partly funded by an insurance-type premium, some of which would be paid by the commission.

This scheme, announced last month, is intended to attract more venture capital funds into the grey area between pre-competitive research and projects nearing commercial marketability. Mr Matutes said he invisages a fund or group of funds amounting to between Ecu100m and Ecu500m (£67m-£335m).

The groundwork for many of the initiatives which have come from the commission is carried out by a small firms' task force created in mid-1986. Headed by a British economist and former university lecturer Mr Alan Mayhew, the task force has attempted to by-pass the bureaucracy inherent in a large organisation like the EC.

One of its priorities has been to monitor the effect of any proposed legislation on the smaller company by means of what are known as "impact assessments". If any proposals seem likely to make life difficult for the small firm, the task force can send it back for modification.

One recent proposal, put forward as a health and safety measure, was for a minimum size of factory window to be permitted in the EC. The problem was that while a factory in Germany wants to maximises the northern light its counterpart in Spain wants to reduce the glare of the sun.

"We don't want a proposal that closes down every business in Spain," says Mr Mayhew. The task force intervention may not have stopped the proposal but it has managed to extend the period during which the new legislation would take effect.

Another area to which the task force has been paying close attention is the need to make the community's research and development programmes more accessible to the smaller company. Programmes such as Brite, covering basic research into industrial technologies, and Esprit, which looks at information technology, were initially dominated by the larger companies. It is they which have the resources to establish international links and to liaise with the Brussels bureaucracy.

One way of opening up these programmes to the smaller firm is to break them down into smaller packages. The commission's directorate for science, research and development is working on a plan to split some future Brite projects, currently worth about Ecu2m each, into feasibility studies worth Ecu25,000 each.

More small firms could afford to take part in such projects which would only become full-scale research contracts if they proved to be feasible.

Informing the smaller company about what the EC can do for it has become more necessary as the range of commission activities has broadened. Using existing local centres of advice – such as chambers of commerce, regional development organisations and trade associations – the Community has established a pilot network of 39 Euro Info Centres or "guichets". These provide access to a computerised database and to other guichets around the Community.

Underlying all of the task force's programmes has been the desire not to create anything which would duplicate national initiatives. So, for example, the guichets are sited in existing business information centres though their staff are given special training.

Most small firms remain mystified

The drawback of this policy, in public relations terms, is that the commission cannot adopt a high profile to the smaller company. Despite this handicap, Mr Matutes is clear there is still a lot to be done for the smaller firm.

"A single internal market creates an enormous challenge for the smaller company," he says. "We want to convert that into an opportunity."

Italy

Causes for complaint

"ITALIANS HAVE an entrepreneurial vocation," claims Franco Muscara, deputy chairman of Confindustria. Mr Muscara, who is the representative of small businesses at the industrialists' association, believes that small and medium-sized manufacturing firms thrive because many Italians want to be independent and run their own businesses, and because experience shows that there are profits to be made.

State encouragement and assistance are clearly not the reason for the flourishing condition of the firms on whose behalf Mr Muscara is working. "Apart from regional development funds and financial support for research and technological innovation, which are available to companies of all sizes, small firms receive nothing from the state," he says.

The machinery of government is more a hindrance than help

With a smile he notes that "managed workshops" and subsidies for consultancy advice are not part of the system within which his members operate. Neither do science parks form part of the Italian business and manufacturing fabric. "Though the Lombardy and Piedmont regional authorities have made appreciative noises about science parks, they are certainly far from being a reality in Italy," says Mr Muscara.

Indeed, he considers that the machinery of government is much more of a hindrance than a help to the development of the country's small businesses. "A modern and efficient administrative framework is missing," he claims, describing firms as hardware trying to function without software.

"Public services like telephones, post and transport are poor. Bureaucracy is slow, complicated and saddled with mechanisms which are difficult to understand. Laws are invariably badly written," complains Mr Muscara. He says that small businesses are handicapped by large external diseconomies of scale. Big corporations are able to spread the costs of dealing with the bureaucratic machinery of government, while small firms have to absorb these costs in lower turnover.

Mr Muscara also takes issue with the tax authorities. He considers that the anticipated payment of corporate income tax in November, based on the previous year's results, is an iniquitous penalty, particularly because recovering tax credits is such a lengthy process.

"Italy's manufacturing companies currently have tax credits of between L30,000bn and L40,000bn. But there are delays of two to three years before VAT credits are paid, and as much as six years in order to receive payment for corporate income tax credits," he says.

Confindustria is pressing for modifications to fiscal regulations so that firms will be allowed to offset credits against tax which they owe. This would be a particular advantage for small businesses. "Large groups are already able to operate in a tax efficient way, by manoeuvring profits between companies," observes Mr Muscara.

Big business is also better equipped to deal with the country's banking system. During the period of high inflation and high interest rates at the end of the 1970s and the beginning of the 1980s, Italy's large corporations placed considerable emphasis on treasury management. Their contractual power is much greater than that enjoyed by small businesses when dealing with banks. The "tasso Fiat", the rates applied to Fiat and other large groups, is considerably better than the conditions which banks set for small businesses.

Handicapped by the public administration and at a disadvantage compared to large corporations, there are nevertheless good reasons to explain the success of Italy's small businesses. In addition to the vocational streak mentioned by Mr Muscara, much is attributable to the labour factor. "Staff relations are much easier in small firms than in large corporations. Moreover, relationships between owners and labour are still improving," says Mr Muscara.

But labour cost differentials probably count as much as a happy working climate in explaining why Italy's small businesses are flourishing. Recent research shows that they pay wages which are more than 20 per cent below those of large companies. This does, however, reflect a higher degree of identification with the firm, greater loyalty and less alienation. Workers in small businesses are willing to accept lower wages.

Italy's small business phenomenon has been a focus of attention, particularly after its performance in the 1970s when it compensated for the failings of large enterprises. But recently there has been concern that monetary policy during the 1980s has put a brake on the development of small firms.

That this is not entirely the case was shown at a conference in February which was organised by the medium and long-term credit institution Mediocredito Centrale. Bank of Italy economist Fabrizio Barca told the conference that research shows that the rapid development which started in the first part of the 1970s has not been interrupted. Capital accumulation, growth, employment creation and market share have continued to grow at a fast pace. Gross operating margins remain higher in small businesses than in large companies.

However, Mr Barca's research shows that concern for the state of health of Italy's small businesses is not wholly misplaced. Though their productivity continues to be greater than in large companies, it is growing less quickly. He attributes this partly to a once-off efficiency recovery in large businesses. But small businesses have a lower innovative content in their investment, a lower demand for higher skills and are backward in staff training, organisational change, marketing and information handling.

Mr Barca told the conference that there is no doubt that the upward trend of productive efficiency in small businesses has slowed during the 1980s. He believes that factors exist which place their future development at risk. The time could be ripe for effective state assistance and a new stimulus through schemes like science parks and managed workshops.

David Lane

Public sector organisations are trying to simplify access to markets

Smaller suppliers sought out

GOVERNMENT CONTRACTS are big business but too many opportunities are missed by the smaller company. The Ministry of Defence, for example, places 40,000 contracts a year through its main headquarters purchasing departments and many more through its local buyers. Last year it spent no less than £8.5bn on equipment and a further £3.2bn on items such as construction work, transport, fuel and clothing.

While a large part of its demands are for sophisticated weaponry, a sizeable proportion is for anything from boots to breakfast cereal. Gaining access to this market, however, can prove a nightmare to the smaller company, unfamiliar with the ways of large buying organisations. The MoD has no fewer than 1,200 buyers and finding which one is relevant to a small company's particular area of expertise can be a time-consuming business.

Despite these difficulties, which in the past have led many a small company to give up in despair, the picture is starting to change. Under government pressure for the public sector to reduce its costs and increase competition among its suppliers, the MoD, the National Health Service and other public sector organisations are starting to take a more positive attitude to the smaller supplier.

Not that government policy is aimed specifically at favouring the small company. It is just that, frequently, the only way to introduce competition into markets dominated by a handful of large companies, is to let the small business in.

The main thrust of this new official policy has come from the Central Unit on Purchasing, a Treasury department set up in July 1985 to help the government get better value for money. Headed by Mr Mike Willacy, a former general manager at Shell UK, the unit aims to shake up the inertia in many government departments.

Many have got into the habit of placing large orders with a circle of old-established suppliers when needs might be met more economically by placing smaller orders on a local basis and involving more small firms.

The government is opposed, however, to the idea of reserving chunks of public sector purchasing for the smaller firm. Set-asides, as they are known, are common in the US and are allocated to defence contractors or businesses run by ethnic minorities. The British government feels that such quotas distort the market and do not increase competition.

The NHS set up its own procurement directorate in January 1986 to improve the purchasing practices of its 14 regional health authorities. It wants to develop more sophisticated ways of comparing prices paid by the NHS and other organisations and is starting to develop regional centres of excellence. The northern region, for example, specialises in the purchasing of textiles and disposable paper products.

The MoD is most explicit in its wish to encourage the small firm. It set up a Small Firms Initiative in November 1986 to take a far more active role in finding new suppliers. "In the past people would usually apply to become registered contractors," says Mr Errol Grieve, head of the small firms team. "Now we go out and look for them." This is achieved by distributing information through chambers of commerce and enterprise agencies and by attending defence equipment exhibitions. The aim is to increase the small firms' share of MoD spending from the 18 per cent figure in 1986/87 (though this figure takes no account of sub-contracting work carried out by small companies for larger prime contractors).

One company to benefit from the Small Firms Initiative was Atlas Management, a Birkenhead-based manufacturer of identity labels with a staff of just seven and turnover of £230,000. After trying in vain for two-and-a-half years to make a sale to the MoD Mr Eric Hearn, the managing director, met Mr Grieve at a roadshow organised by his local chamber of commerce. After the meeting Mr Hearn says he found the MoD much more responsive and finally sold a system for labelling uniforms to a naval training establishment.

Even when the smaller company finds the buyer responsible for its sector of the market it can prove difficult breaking into an existing circle of suppliers. Bureaucratic inertia can mean buyers prefer to stay with companies they know rather than trust an untried newcomer.

How to do it is explained by the Small Firms Service, the Department of Employment's advisory organisation. Once a company has identified the purchasing department it feels is most likely to need its products it should write, describing what it has to offer in non-technical language. The company's normal trade brochures should also be sent.

The company should describe the full product range so that its application can be sent to as wide a range of buyers as possible. The initial application should indicate the company's track record in selling to large companies or nationalised industries.

Once the company has established that there is likely to be a demand for its products it should apply for acceptance on the list of approved contractors. It will have to fill in a questionnaire and may have to allow inspectors onto its premises. The aim is to find out whether the company is properly organised and financially sound. It will have to show it has the proper quality assurance systems in place.

These quality standards can represent an important barrier to the smaller company seeking to do business with a public buying organisation. The MoD, for example, expects direct contractors to comply with a NATO standard of quality assurance while sub-contractors will usually have to meet British Standard 5750, the most widespread UK quality assurance measure.

Fortunately for the smaller company, orders worth less than £10,000 are usually exempt from normal approval procedures, so a company can test the water without undertaking the expense of meeting formal quality standards.

But even acceptance on an approved list does not mean a firm will actually be invited to tender in the near future. Lists are graded into different types of work for which different firms are suitable. A lengthy list may mean a long wait until any one company's turn comes up. Lists are also reviewed from time to time and companies which regularly fail to respond or are always unsuccessful may be dropped.

If a company is turned down it should consider whether it has given enough information about itself and whether it has approached the right departments. "Within sensible limits a degree of persistence may be worthwhile in establishing you as a serious applicant," the Small Firms Service notes.

If a company gets onto a list of approved contractors but is unsuccessful in its tender it is usually justified in asking why it failed. Government departments are increasingly willing to explain what went wrong. "We recognise the value of constructive debriefing," says the MoD.

An important advantage in supplying government departments is that bills are usually paid promptly. The MoD, for example, promises to pay its monthly bills within seven days of the agreed date – a speed few private purchasers are ready to match.

Charles Batchelor

Marketing

Help with spreading their wings

"WE HAD not given much thought to marketing," says Gill Stiff. "When you are starting a business, most of your time and energy goes into getting the show on the road." In her case, the show was the Tropical Butterfly Garden, at Cleethorpes in South Humberside, which she runs with her entomologist husband, Keith, and two friends, Ralph and Liz Fitchett, whose hobby had been breeding spiders until they discovered butterflies.

With help from the Department of Trade and Industry and Cleethorpes borough council, the quartet opened the garden as a tourist and educational attraction in April last year. They have around 40 different species of butterflies and, depending on the weather and time of the year, hundreds can be seen in flight.

"It quickly became clear after opening the garden," says Gill Stiff, "that we had to get our marketing act together. We realised that we had to extend our appeal beyond local schools. We had to draw people in from whatever distance they were prepared to travel at weekends.

"We had to identify our market, in fact. Who were the people coming in? How far had they come? What time of year were they coming? On which days of the week? How much were they prepared to spend?"

Observation gave them some answers. Elderly visitors clearly preferred mid-week visits when children were at school. A questionnaire, drawn up with help from Humberside County Council, provided them with some feedback from customers.

But they turned to the DTI for help in putting together a comprehensive marketing strategy. Through the DTI scheme, a Grimsby consultancy, Cravenglow Marketing, was given the job of sorting out the problems and giving new direction to the business.

Since then, two of the business partners have attended further marketing courses, organised locally under the auspices of the Manpower Services Commission. "So far everything seems to be working out," says Gill Stiff. "We now have a much clearer idea of who our customers should be and can direct our advertising to them.

"None of us knew anything about marketing when we started. The professional help has been invaluable."

An equally enthusiastic endorsement of the DTI scheme comes from the opposite corner of England, from Bristol Brandy, a company set up by chairman, Charles Reid, and managing director, John Barrett, under a Business Expansion Scheme in early 1986.

The company handles different brands of spirits from most European countries but its main speciality is importing newly-distilled brandy from Hine of France, to be matured in the right, damp conditions over 15-20 years and then bottled and sold as a fine, pale, vintage cognac.

Barrett first went to the DTI for design help to produce distinctive labels for his goods. Then feeling the company "needed an extra push", sought marketing advice and support from the DTI last summer. Under the DTI's scheme, Simon Davis, a Berkshire marketing consultant, was brought in to look over the operations. "He seemed to take a real personal interest in the business," says company administrator, Patricia Hammond. "He became much more than an adviser. He showed us different options, explained problems and risks, estimated costs, pointed out opportunities."

Out of the marketing strategy that Davis helped put together came a drive for new export markets. Invaluable support then came from the British Overseas Trade Board and the Central Office of Information. Bristol Brandy was already exporting to the US and Canada. It now supplies customers all over Europe – not least in France, the home of cognac.

The company also benefited from Davies's personal contacts in other businesses and, nearly a year later, still consults him from time to time as problems arise. "We all regard him as a sort of family counsellor," says Hammond.

Butterflies and brandy – two very different business activities but both beneficiaries of the specialist marketing advice that is available under the DTI's Enterprise Initiative.

This offers a self-help package that covers business planning, financial and manufacturing systems, design and quality control as well as marketing.

The usual procedure now is that, after first contact through one of the DTI's regional offices – recently increased from 7 to 34 in England – an enterprise counsellor will spend up to two days with a company to carry out a business review.

He or she will recommend which of the scheme's consultancy initiatives can best help. In the case of marketing, a consultant – substantially qualified and experienced – will be chosen by the Institute of Marketing and its "sub-contractors", the business schools at Strathclyde, Salford, Warwick and Cranfield.

DTI pays half the cost of between 5 and 15 man-days of consultancy. In assisted areas and urban programme areas, it pays two-thirds. "What we have sought to do," says a DTI official, "is to take the pain out of getting good outside expert advice into a company as and when it is needed in critical areas of management."

With a £74m budget for this year, the DTI aims to fund 1,000 consultancies a month. Over the next three years, its aim is to reach into at least 20 per cent of the country's manufacturing sector.

Since Lord Young launched the revamped scheme in January, applications have been pouring in at the rate of more than 70 a day. Two-thirds of the applications come from businesses with less than 25 employees; half of the applicants are seeking marketing help and advice.

There is now a quite sharper rate of take-up in Scotland, the North-East, North-West, and Humberside, than in the South-East. There is a healthy number of applications, too, from Wales.

Lord Young's use of advertising in launching the programme may have stirred political controversy, but it has also clearly stirred a great deal of action among small businessmen.

Tony McBurnie, director general of the Institute of Marketing, says: "The response has been absolutely phenomenal. It shows again how crucial this sort of service is to small business. But it also indicates that British business is on the move again, that it has got its costs and production into pretty good shape, and is now eager to get into the market place."

Philip Rawstorne

From left: Keith and Gill Stiff; Ralph and Liz Fitchett

Co-operatives

Marketing the way forward

IT IS not just the "wholefood and sandals" image that has prevented co-ops from accounting for around only 2,000 out of about 1.7m small businesses in the UK.

A recent Open University report pointed to a shortage of business skills and experience; the difficulties of obtaining finance; and limited appeal to many entrepreneurs, put off because co-ops entail having "to share both the rewards and control of the enterprise".

Mr George Jones, director of the Co-operative Development Agency (CDA), a quango set up under the 1976 Industrial Common Ownership Act, traces setbacks to the last century when some co-ops were taken over and converted or asset stripped. "The Benn co-ops didn't help either," he adds, referring to the failure in the 1970s of the Scottish Daily News, Kirkby Manufacturing and Engineering, and Meriden.

The Scottish Daily News was started as a co-operative venture from scratch, and was arguably the most spectacular failure of the three; KME and Meriden were rescue attempts of conventional companies.

A study commissioned by the London Enterprise Agency and National Westminster Bank came to much the same conclusions as the Open University report: "Britain has not shown the same enthusiasm for co-operatives as some other European countries. The co-operative movement in Britain has lacked the political commitment from the Government, the banks and other institutions. Legal and financial support for co-operatives is not as formalised or as favourable in Britain as it is elsewhere."

Perhaps surprisingly, however, the Thatcher Government has been moderately supportive of the co-operative principle. There have been ambitious plans to replicate on Teesside the famed Mondragon co-operatives of the Basque region – a £200,000 grant for this project has been made available for a second experimental year.

Progress has been made, too, on new financial structures that should enable co-operatives to benefit from the Business Expansion Scheme. (This will go some way to dealing with what has been a major stumbling block up until now – the difficulty of reconciling the need for external finance with the necessity to preserve total control by employees.)

There has even been a co-operative share issue in the past year to build up a venture capital-type fund to finance new co-operative businesses. The issue was launched by Industrial Common Ownership Finance, the financial arm of the Industrial Common Ownership Movement, the longest-established national co-op support agency and membership organisation.

Mr Jones, while enthusing about the basis of worker co-operatives – "the three Ds: dignity, democracy, dividend for the worker" – accepts that growth in other forms of co-operation is likely to be faster. One particularly promising development, already well-developed in France, Italy and in the UK agricultural sector, is the marketing co-operative.

Marketing is the weak spot in the operation of many conventional as well as co-operative small businesses. The idea behind the marketing co-op is that promotion and advertising – time-consuming, expensive and often neglected – can be more effectively organised if businesses get together in marketing groups.

A separate company is set up (registered either as an industrial and provident society, or incorporated as a company limited by guarantee) solely to act as agent for the member businesses. The directors of the company are draw from each business and – fundamental to the concept – it is one business, one vote.

Member businesses may already be known to each other; they may be working in different parts of the same industry; or they may even be competitors.

There were early worries that agreements between such businesses could come unstuck when scrutinised under the 1976 Restrictive Trade Practices Act. In practice it is unlikely that many marketing co-operatives, with proper advice, would fall foul of the Office of Fair Trading. There are even some indications that bona fide marketing co-ops could become exempted in the near future, as agricultural co-ops already are.

The Co-operative Development Agency has been given a modest government grant to promote marketing co-ops. Legal structures have been worked out, there are model agreements, and "hand holding" for groups getting off the ground is a key feature.

Mr Derek Oakley, one of the CDA staff working on the project, has a horticultural marketing background. His interest is "entirely practical, rather than ideological," and he is anxious to see conventional businesses, particularly those with exporting ambitions, taking advantage of joint marketing.

One of his problems, however, is the dearth of successful up-and-running marketing co-operatives to point to. There are currently around 60 "probables" in the pipeline, but the majority of existing groups seem to be of the small craft kind. These are interesting in their own right, but there is not a great deal "to set the entrepreneurial pulse racing," observes Mr Oakley.

The Intelligent Building Group (IBG) could be the first real breakthrough: the group includes some impressive construction industry and computing names, as well as small, lesser known, businesses. All are involved, in one way or another, with the concept of the "intelligent" building, in which communications are planned from the start. Flexibility is built in so that new developments in technology can be incorporated.

The dozen individual members include representatives from: the computers and telecommunications wing of PA Consulting Group; quantity surveyors Northcroft, Neighbour and Nicholson; civil and structural engineers Brian Moorehead and Partners; system planners Ideas for Industry; and Duffy Eley Giffone Worthington, space planners and architects.

No one company could itself design as well as construct buildings in this area of fast-moving technology without drawing in other specialists. By getting together, IBG argues that the client, as well as the member businesses, benefit from simplicity, economy and an integrated approach. "I can say to the client, 'I don't do that, but I know a man who does and I trust him'," says IBG chairman Mr Paul Robathan. His own company, Infact, specialises in information services and dealing room design and installation.

The group has been meeting for about 18 months, swapping intelligence and leads, but recently decided that it needed a legal structure, rather than to continue as a loose consortium. With advice from the Co-operative Development Agency, a marketing co-op will probably be formed. Money will be raised from member companies (probably an initial £500 each) to provide a central point of information and fund promotion work. The hope is that, eventually, IBG will land its own major contracts.

Meanwhile, IBG member Mr Keith Townend can already point to more modest achievements through collaboration. He particularly values being able to learn about other group members' skills. Mr Townend's company, Townend Ryder, has recently finished working with other IBG members on an operations room for the Isle of Man police. Currently on the drawing board are designs for Thames Water pumping station control rooms. What is learnt from these projects could equally be applied by other IBG members to the design of dealing rooms, for example.

IBG is unusual because the group had been meeting for some time before the idea of a co-operative marketing structure came up. More difficult for the Co-operative Development Agency is to link up isolated small businesses.

Mr Oakley cites the example of a company "buried in Dorset, making very high tech measuring instruments for the atomic energy industry. They want to sell abroad but haven't got the time. If they could get together with other back room high tech businesses they would be able to employ someone to do the marketing."

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Diane Summers

SMALL BUSINESSES 9

A guide to government-backed and approved schemes

Training aims to change the working culture

ARE entrepreneurs born or made? Motivation, drive and a keenness to support oneself have always been seen as prime requirements for small business success but, given the right training, many more people are proving capable of competing alongside the "naturals".

The right training also helps reduce failure rates among all types of small businesses by equipping owner-managers with better skills. This is important because one-third of new jobs is generated in businesses employing fewer than 20 people.

Small wonder then that here is an area where the Government does not leave things to market forces by relying solely on the "born entrepreneurs" to carry national policy. Its Training for Enterprise (TFE) programmes aim to equip potential and existing small business operators with the skills to launch, manage and develop their businesses.

Britain lags behind competing industrial nations in this sort of training. The Manpower Services Commission (MSC) – shortly to be renamed the Training Commission – is working hard to close the gap and will re-launch its training strategy in September to simplify the wide range of available schemes.

However, the principle behind TFE will remain: if attitudes towards training, personal enterprise and employment can be changed, then there is a greater chance of changing the predominant, dependent pattern of most British working culture.

This has developed over generations because most people regard themselves as employees rather than as entrepreneurs and employers. The old, non-enterprise culture is strongest in depressed areas with the narrowest economic bases and the smallest proportions of small businesses to big ones.

There is therefore likely to be plenty of training available – and at no or low cost to the small business – for the foreseeable future. Increasingly, more courses are being run in evenings or at weekends, recognising that most people cannot afford to take time off in the day or during the normal working week.

There is also a trend to "open" learning, where the learning process is by self-education through manuals, videotapes and tutored projects. However, the bulk of provision is through "training providers", such as universities, polytechnics, further education colleges and institutes, enterprise agencies, chambers of commerce and private consultants.

Many of these run various Government-backed and approved schemes such as those outlined here.

● **Start-up programmes** teach basic management and business skills, as well as where to go for help or advice from Government, local authorities, enterprise agencies, private sector consultancies or small business clubs. About 70 per cent of participants start up a business and their failure rate of 10 per cent in three years is much better than the national average of 36 per cent. Some courses have eligibility conditions but the basic qualification is to have an idea that can be developed into a business. The MSC bears the full cost of training and may offer income support.

● **Seminars** on subjects such as financial control, taxation, marketing and so on are aimed at existing businesses to help them improve performance and expand.

● **New Enterprise Programmes** (NEP) are for ventures with the potential to employ 12 people after two years, with the prospect of more growth to come. They are offered by four leading business schools. Four weeks of full-time training in business strategy is followed by a 12-week launch period with expert support from the school and market research help from the MSC. A part-time version is also available called Firmstart spread over six months. Graduate Enterprise Programmes are also a modified version of NEP, offered at 10 centres, and aimed at graduates from any discipline wanting to go into self-employment. The four weeks of training are supplemented by six months of counselling or further tuition.

● **Business Enterprise Programmes** (Bep) are the most widespread form of training available, with 600 training providers. A Bep normally lasts seven days, the first being for familiarisation, with the chance to opt out if a participant decides self-employment is not what they want after all. The remaining six days come in three blocks which can be completed over five weeks. There is also a Bep programme for graduates which offers a three-week full-time course followed by three months of counselling. There are other Bep variations for young adults or involving open learning. A Mini-Bep variant of two days' training separated by a week's homework is being tried out in some regions and may form the basis of training for people joining the Enterprise Allowance Scheme in the future.

● **Management Extension Programmes** place unemployed executives in small businesses to work on projects expected to achieve growth. The executives receive three weeks of full-time training in special techniques of small business management, and then do a 12-week stint with a small business. This improves employment prospects of formerly big-company executives – about 70 per cent find jobs soon afterwards, many with their host firms. The Graduate Gateway Programme is a variant of this, aimed at introducing graduates to small businesses.

Private Enterprise Programmes (PEP) are a series of 13 training modules, each covering management skills such as book-keeping, taxation, basic accounting, financial control, marketing, and so on. Each module has a workbook, which is worked through in a one-day seminar. Target trainees are owner-managers who need to consolidate or develop their management techniques, but the modules are equally relevant to people wanting to go beyond the basics of a Bep.

Advanced open learning materials are being developed under Government contract by Cranfield Business School and the Open University. These have yet to be thoroughly tried out but the quality is expected to be high. Existing networks of training providers may be used to ensure easy access and support.

There is a trend to "open" learning through manuals and tapes

A new concept to be introduced in September by the MSC is that of the training agent who will be responsible for recruitment of trainees, counselling, assessment of specific training needs, and planning the appropriate training.

The agents will be part of a new drive to unify training provision for the young and long-term unemployed, with priority given to the under-25s and people out of work for more than two years. Those with the right aptitude will be channelled into the appropriate small business training programmes.

Ian Hamilton Fazey

Enterprise

Breaking the barriers down

A SECOND-YEAR engineering student, working for a small engineering company during his summer vacation, completes a 40-page report on the market for a special valve his employer is planning to produce.

A chemistry student, carrying out a similar vacation secondment with a small pie-making business, solves a problem the company has had with keeping its equipment clean. She then works on a project to find the ideal thickness for the pie crusts. For good measure, the same student advises the company's owner on the training needs of her staff and negotiates a £10,000 grant from the Manpower Services Commission to carry out the work.

Another chemistry student joins a small manufacturing company which is moving premises. Again, working in his summer vac, the student devises a more logical lay-out for the company's production line in the new factory to replace the outmoded system previously in use.

Students have been far more likely to join a large company involved in the 'milkround'

These were the stories of just three of the 110 students who took part last year in a programme designed to give science, engineering and business studies undergraduates experience of working in a small company.

The project, funded by Shell UK and the government, and known as the Shell Technology Enterprise Programme (Step), is just one of a number of initiatives to have been launched in recent years to give undergraduates and even schoolchildren a taste for enterprise.

Serious attempts are being made to break down the barriers between the business and academic worlds. In the past, when students have contemplated a career in business, they have been far more likely to join a large company involved in the recruiting "milkround" than to consider self-employment or work with a small firm.

University and college careers advisers often dismiss the smaller company, which usually has no formal career structure or obvious prospects of advancement, and steer their charges towards the relative security of the large concern.

Yet the qualities graduates can bring to a job – including the ability to use external sources of information and skills in dealing with others – can be invaluable to the small company.

Employing graduates can be an eye-opener for the small business owner. Most have not considered taking on a graduate; would not know how to go about selecting somebody even if they wanted to; and regard graduates as possessing theoretical skills unsuited to the practical business world.

The Step programme started with just 20 students in 1986 but expects to take up to 150 this year. The initial requirement that the students come from the technical disciplines has been relaxed and arts undergraduates may now also take part.

While this programme appears similar to the traditional sandwich course, in practice it is very different. A sandwich course placement is intended to turn out a better engineer, accountant or manager, explains Mr David Mullen from Durham University Business School, which has worked closely with Shell on the programme.

By contrast, participation in the Step programme is expected to make the individual more enterprising, give him or her the confidence to take decisions, change things and use initiative.

The sandwich course student would be closely supervised; work within his or her own field of study and would usually be placed with a large company. Step participants would be expected to use common sense and knowledge in unfamiliar areas; would be given lots of freedom and would work with a small company, Mr Mullen says.

Similar in some ways to the Step initiative is the Graduate Gateway Programme, which takes graduates, often with degrees in subjects less popular with large companies and usually unemployed, and gives them up to 17 weeks with a small company. Many of them stay on full-time.

A third scheme, the Graduate Enterprise Programme, launched in Scotland in 1982, but now provided by a number of colleges throughout the UK, gives graduates an intensive course of training in how to set up in business. Some participants start with an idea they want to develop while others have no fixed plans.

This programme, which catered for 150 graduates in 1987, has been reshaped this year by the Manpower Services Commission. Previously, graduates received six weeks full-time business school teaching interspersed with periods for carrying out market research and raising funding.

Under the changes proposed by the MSC, the numbers of graduates will increase at least three-fold but the training programme, support for graduates during training, and the market research budget are being cut back. This move is seen by many of the colleges as reducing the quality of the training provided in order to boost the numbers passing through.

Alongside these programmes an informal network of college entrepreneurs is starting to develop. Ace (UK), an offshoot of the American Association of Collegiate Entrepreneurs, has established links with many British colleges since it was established in 1986. It is now planning to launch a Young Entrepreneurs' Network to bring together entrepreneurs aged up to 30 years and including those who have not been through higher education.

In the US, Ace's annual conventions draw several hundred undergraduates, graduates, professors and young entrepreneurs to three days of seminars, a trade show and an Academy Awards-style ceremony to nominate America's Top 100 young entrepreneurs.

Britain has some way to go to match the achievements and the razzamatazz of college enterprise in the US. While 2 per cent of US graduates start their own business, in the UK the figure is just one third of 1 per cent.

Many children have set up businesses

But neither Britain nor the US wait until a young person reaches university to start presenting the notion of enterprise. In the UK, Young Enterprise, a privately-funded educational charity which also has government backing, has been encouraging school children to run their own businesses for the past 25 years.

In recent years more than 20,000 15-to-19-year olds have set up and run more than 1,000 companies each year. Young Enterprise companies usually consist of between 20 and 30 young people who raise capital by selling shares to family and friends. They make real products, sell them where they can and distribute any profits when the company is wound up at the end of the school year.

Young Enterprise has been criticised for focusing narrowly on business and also for using a big company model for the businesses it sets up. Small businesses rarely issue shares or have as many "managers" as Young Enterprise companies, this argument goes.

The idea of making Britain's schoolchildren more enterprising also forms a key part of the Technical and Vocational Education Initiative, which aims to make learning a more active, practical experience. This programme is not restricted to business – enterprise can also be show in community projects and adventure training – but it has led to children in many schools setting up their own small businesses. Pilot projects have been carried out in about 100 areas in recent years and the scheme is being extended across the country.

Charles Batchelor

Ian Hamilton Fazey looks at the public sector advice available

Initiative should make help more accessible

THE YEAR'S most important development in public sector help for small businesses has been the Enterprise Initiative of the Department of Trade and Industry.

There has been some criticism of the initiative because it has abolished automatic regional development grants, while keeping selective, discretionary aid in the UK's assisted areas, but the DTI says that the aim is stop aid going to big companies which do not need it.

Instead, help is to be targeted. This looks like being very useful for established smaller businesses which want to grow or for less secure ones which need to improve their management techniques or stabilise themselves.

The way in is simply to ask the DTI, using one of the offices it has set up in a network throughout Britain. The address of the nearest can be obtained by telephoning any DTI regional centre.

Help comes initially in the shape of two days' free consultancy. This is a diagnostic exercise, pinpointing what a business needs by way of advice. The DTI will then meet up to two-thirds of the cost of employing external consultants skilled in particular techniques.

Marketing, design, quality, advanced manufacturing, business planning and financial and information consultancy schemes are available.

The simple way in which the enterprise initiative is supposed to work may help overcome the main problem about public sector help and advice for small business: it is not so much that there is not enough of it, but that it is fragmented and tucked away in what at first appears to be a bureaucratic maze.

Help is available for start-up; expansion; innovation; acquiring computer skills; marketing; exporting; reclaiming land; obtaining technical advice; consultancy; improving energy efficiency; training; and very many other specific business needs.

There are several broad principles to bear in mind when trying to understand the maze and how to get through it, and a number of useful organisations.

ASK SOMEONE THE WAY

The Government's Small Firms Service (SFS) or most enterprise agencies are prime sources of independent guidance about what is available and whether an individual or business qualifies.

The Small Firms Service offers advice and counselling for owners and managers of businesses employing up to 200 people, or people thinking of starting up. It is complementary to enterprise agencies, which may well recommend SFS help.

The SFS operates through 13 Small Firms Centres and more than 100 area counselling offices. Counsellors are usually highly experienced professionals. A comprehensive range of material is available gratis, covering such subjects as employment law; bookkeeping; management accounts; marketing; exporting; selling to big business; starting your own business; and tendering for Government contracts.

The first three SFS counselling sessions are free, followed by a charge of £30 per session for the next six. The SFS is operated by the Department of Employment in England, and the Scottish and Welsh Development Agencies over the respective borders. Contact is by dialling 100 and asking for Freefone Enterprise, but be prepared for a wait – most offices are dealing with record levels of inquiries.

However, any business can do much to help itself by getting hold of one or more *publications cataloguing* sources of aid. There are several on the market, usually published by firms of accountants, consultants or the clearing banks at nominal prices.

A new one worth looking at is Binder Hamlyn's "Government Help for Your Business", which is to be updated twice-yearly.

It divides up the maze into easily digestible sections, such as training and employment, general investment and development, advisory schemes, *research and development*, exporting and tourism. Non-clients of the practice can get copies at £5 each from Binder Hamlyn Regional Development, Swindon SN1 5JA.

LOCATION

Many forms of financial aid are only available in assisted areas, defined generally by the extent to which their unemployment rates exceed the national average. Special help on innovation is available for small businesses, for example, so choosing where to locate, or expand, may be crucial to qualifying for aid. Full details are obtainable from the DTI.

The right location can also provide a source of cheap money from BSC Industry or British Coal Enterprise, which have substantial funds to give or lend to businesses creating jobs in steel or coal closure areas. Any business qualifies – it does not have to be set up by redundant miners or steelworkers.

The same principles will apply in *West Cumbria, where British Nuclear* Fuels has set a £10m fund to help restructure the local economy for when building work slows down at Sellafield in the 1990s.

LOCAL AUTHORITIES

Many have discretionary schemes covering such things as rent or rates relief; low-cost mortgages; short-term loans; land purchase subsidies; and *employment grants. Usually schemes* are linked to job-creation or saving jobs and applicants have to demonstrate that without the help involved a project would not proceed in terms of size, location or timescale. Details are best obtained from a local council's industrial development officer or planning department.

DEVELOPMENT AGENCIES

Wales and Scotland each have a development agency, based respectively in Cardiff and Glasgow and will send details of assistance they can offer on application. In Northern Ireland there is an Industrial Development Board and a specialised, highly effective small business agency called the Local Enterprise Development Unit. Both are based in Belfast.

REGIONAL AGENCIES

A quasi-development agency has been formed for the North-East and Cumbria, called the Northern Development Company (NDC), in Newcastle upon Tyne. This is a partnership of public sector and private sector interests. It is developing a wide range of aid for business in the region, including organised briefings from buyers on bidding for offshore work, international aerospace contracts and other projects so large that most smaller business are usually put off.

Other agencies worth approaching are the Greater Manchester Economic Development Corporation and Lancashire Enterprises Limited, the latter based at Preston. Each is a sort of hybrid development/enterprise agency/board. The enterprise boards of Yorkshire Enterprise Board in Leeds and those for the West Midlands in Birmingham and Merseyside in Liverpool can also help.

ENGLISH ESTATES

This is the Government's property building and marketing agency. It builds mostly advance factories, usually for local authorities or Government agencies, but will also design and build bespoke ones, as well as taking part in some office development.

Its policy is changing as the economy picks up. It will leave all but the most difficult areas to the private sector, except when building a bespoke factory. This is contributing to a factory shortage in some areas which is likely to persist until private developers can take up the slack.

RURAL DEVELOPMENT COMMISSION

The Council for Small Industries in Rural Areas, which functions as a one-stop shop for anyone employing fewer than 20 in an area with under 10,000 inhabitants, goes under this title from this month, as does the Development Commission, of which CoSIRA was the small business arm.

Functions are now combined – the commission was responsible for advance factories, usually built by English Estates, while CoSIRA provided business advice, consultancy and training – so there should be better one-stop shopping. There are loans and grants for buildings, plant and equipment. A network of offices is organised mainly on a shire county basis.

URBAN DEVELOPMENT CORPORATIONS

The success of the London and Merseyside originals has seen others designated for Greater Manchester, the Black Country, Teesside, Tyneside, Sheffield and Cardiff. There are also "mini-UDCs" - with smaller budgets and smaller areas - in some inner cities.

Small businesses can benefit by bidding for work from the UDCs themselves (particularly professional consultancy during the early years of land reclamation and building) and then through the availability of often low-cost, well-managed and secure workspace, or through the opportunity to set up in up-market retail developments such as Liverpool's Albert Dock village.

ENTERPRISE ZONES

There are 26 in Britain, each with a 10-year holiday (from their date of designation) on local authority (though not water) rates and the freedom to relax or accelerate some planning and administrative controls. Freedom from planning constraints may be a real boon, especially if the planning authority is a UDC and the zone is in its territory – the Isle of Dogs in London is one case of this and the *Trafford Park UDC in Manchester* is another.

● Case study/Norfrost

Norfrost: on the production line

Profits from a lot of cold air

NORFROST IS arguably the unlikeliest business in Britain. What it is claimed is the biggest manufacturer of fridge freezers in Europe is located not on some industrial estate in the south of England, but literally within a few miles of John O'Groats, at the north-eastern tip of Caithness.

While many manufacturing companies in the Scottish Highlands concentrate on low volume, high value products to offset the high cost of transport – the nearest big population centres to Caithness are more than 200 miles away – Norfrost makes a *profit manufacturing bulky products* which, in transport terms, consist largely of boxes containing a lot of air. Furthermore, it operates in an industrial sector where profits have for years been scarce or non-existent.

The company was formed by Alex and Patricia Grant, a husband and wife team. From their determination to keep the business in their home town of Castletown – in the fertile, lowland *corner of Scotland's* most northerly county – stemmed their tenacity in overcoming the disadvantages of distance. A manufacturing company that can thrive in Caithness ought to be able take the other aspects of running a business in its stride.

The Grants used to run the local electrical store in Castletown and were, as Mrs Grant says, on the receiving end of the complaints of disgruntled purchasers of fridge freezers, which tended to defrost or leak with disastrous effects. "We believed that we could do it better," she says.

That was in 1971, and the Grants encountered considerable scepticism as to whether such a business could be made to work successfully in such a remote place as Caithness. But they were able to obtain finance from the Highlands and Islands Development Board as well as bank loans, and the business began to develop, sustained by Mr Grant's skills in electronics and Mrs Grant's self-taught flair for marketing.

Norfrost now employs 135 people. In the year to May 1987 it had sales of £7.8m on which it made profits of £1.5m. This year it expects turnover of about £10m, on which it expects to make pre-tax profits of £1.5m and there is an intention of seeking a quotation on the Unlisted Securities Market.

Its recently expanded 100,000 square foot factory makes about 190,000 fridge freezers a year and exports about half of them, to Europe, the US, and even to Japan, south-east Asia and the Gulf states. Last autumn it produced its millionth fridge freezer.

The Grants believe there is world market potential for up to 1m units a year and would like to have 20 per cent of that market.

Norfrost believes part of its *success is due to the high quality* of its products. It makes as many components as possible in-house. The company has a sophisticated machine shop which can carry out most repairs but it also carries several weeks' stock of freezer components. The workforce is stable and productive and the company has not lost a day's production for seven years. On top of that comes what is evidently an inspired approach to marketing.

But to make a success of such a business in Caithness requires paying attention to logistic factors that would be unimaginable to most other companies. To solve the transport problem Norfrost has, in effect, entered the haulage business, investing in its own transport fleet of 10 Scania tractor units and 26 articulated tractors. The trucks are able to deliver fridge freezers to any part of Britain at a cost of only £2 each.

The clever part is that to make the run economic the fleet brings in not only the company's own raw material requirements but also picks up and delivers goods for other customers in this part of Scotland.

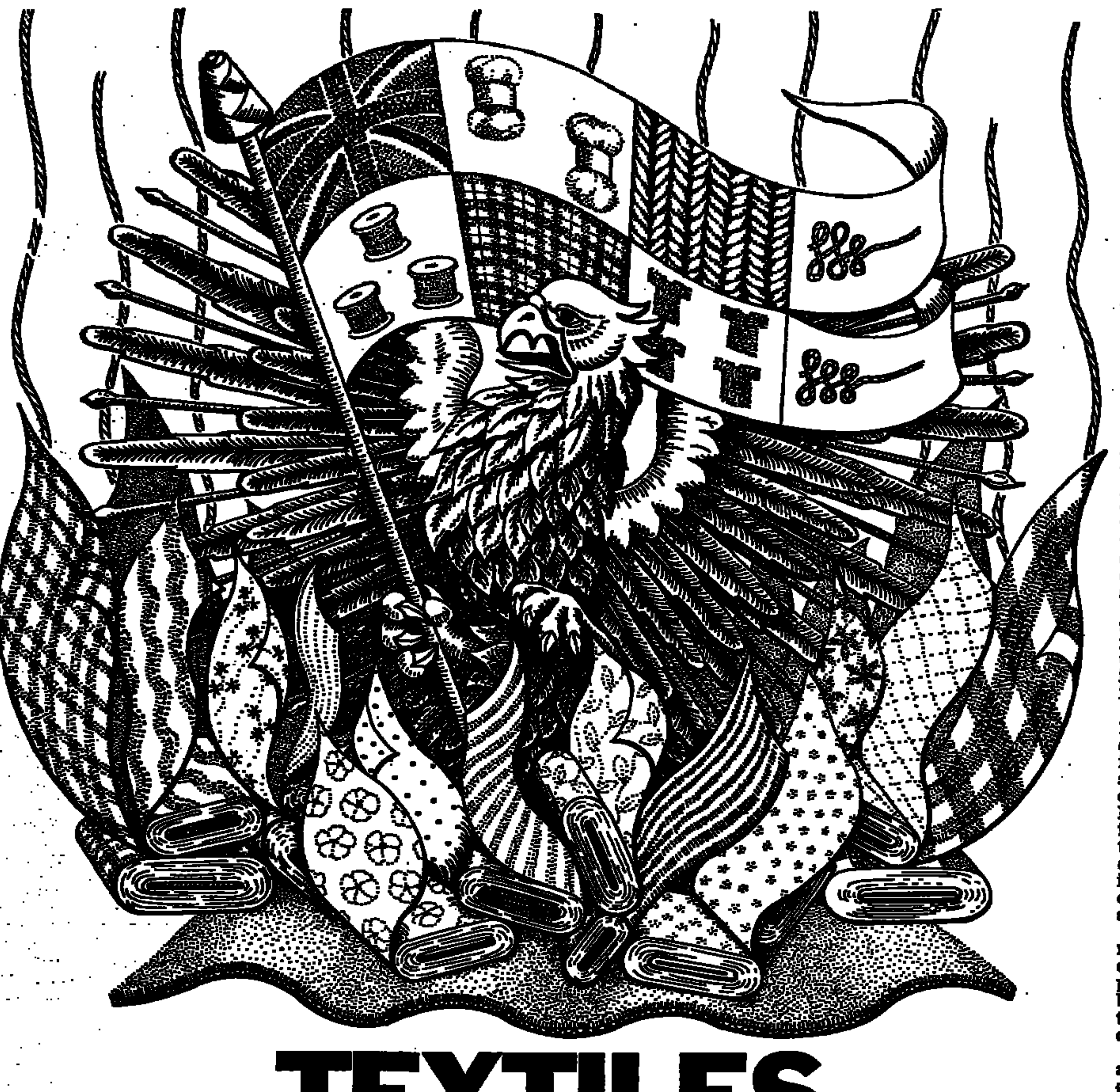
James Buxton

SECTION IV

FINANCIAL TIMES SURVEY

CONTENTS

□ *Phoenix rising from the ashes of the textile industry: illustration by David Worth*



TEXTILES

The late 1980s is a testing time as the industry contends with a rising pound, writes **Alice Rawsthorn.**

Restructuring has brought improved management, investment and productivity, but weaknesses remain, including plant that is often less modern than that of European rivals.

Recovery, not resurgence

TO MOST of the UK's textile manufacturers the 1980s has been a period of painful recovery from the dark days of the early part of the decade when the industry, like every other area of manufacturing, plunged into recession.

By any objective measurement that recovery is now complete. The days of cuts and closures are over. The textile plants of today are equipped with more modern machinery and run by more progressive managers. Productivity and profitability have risen in response.

It would be erroneous to talk about textiles as an industry in resurgence – most manufacturers are still less competitive than their West German or Italian counterparts and very few have mustered the confidence to invest in new capacity. But it has undoubtedly hauled itself out of the doldrums to reach an equilibrium.

However, in recent months economic events have cast a cloud over the industry's prospects. The chief cause of concern is currency. The combination of a rising pound and a declining US dollar threatens to increase the flow of imports and curb exports. This could not only destabilise the industry, but might also jeopardise the progress made so far in the decade.

"There is no doubt that 1988 will be a difficult year for textiles," says Mr Martin Taylor, managing director of Courtaulds Textiles. "The restructuring so far has been carried out against a background of strong retail sales and a competitive currency. Retail sales are no longer so strong and currency is a problem.

"Moreover, most of the easy rationalisation has already taken place. The scope for improvement is now more limited. The next year or two will really test the success of the industry's restructuring."

This restructuring followed the economic recession of the early 1980s which dealt a devastating blow to textiles. The industry had flourished until the post-war era when it faced the parallel problems of an influx of low cost imports from the fledgling industries of the Far East and the emergence of West Germany and Italy as competitors in Europe.

These were compounded by the industry's own structural weaknesses: poor management and inadequate investment. In the early 1980s when consumer spending collapsed and sterling crumbled, all the problems came to a head.

Some companies lurched into losses. Others were forced to close. Thousands of textile workers lost their jobs. In the darkest days, the year between 1980 and 1981, a mill closed almost every day.

The industry of today is the product of the restructuring which followed. The tradition of regional specialisation has survived. Lancashire is still the centre for cotton, Yorkshire and the Scottish Borders for wool, the East Midlands for knitting and Northern Ireland for linen.

Nevertheless, the corporate structure of the industry has changed dramatically. Some of the old forces remain. Courtaulds is still one of the most powerful players, as is Dawson International in knitwear, William Baird in clothing and Tootal in thread.

However the industry's weakness in the wake of recession enabled new forces to emerge. Coats Viyella, Coloroll and the John Crowther Group have all gathered momentum during the decade. Long-established names like Coats Patons, Nottingham Manufacturing, Fogarty and Carpets International have disappeared. Crowther itself has succumbed to the same fate. It now faces a bid from Coloroll.

The painful process of rationalisation did bring benefits. One of the most important was the weeding out of surplus capacity. The Yorkshire wool industry, for example, is still dominated by family firms, yet almost all are specialised and there is little direct competition between them.

Similarly the larger groups have retreated from the most exposed areas. Mr Donald Parr, chairman of William Baird, cites shirts as an example. The level of import penetration is very high – about 70 per cent – yet it is, he says, unlikely to increase further because the remaining manufacturers operate within niches where they have a competitive edge, such as quick response or "traditional English" design.

The industry has also learned from its past mistakes. The calibre of management has improved markedly, and companies have invested in marketing and design. Similarly there is increased emphasis on training and even some improvement in the relatively poor pay and working conditions of the workforce.

One of the most dramatic changes is the increase in investment in new machinery. The rapid pace of technological change – with new systems like shuttleless weaving and open end spinning – has radically reduced the labour intensity of many areas of the industry. Courtaulds alone now ploughs £40m to £50m a year into re-equipping its textile plants.

Productivity has risen by 40 per cent since 1980, according to the British Textile Confederation. Many of the larger groups have achieved greater improvements. Coats has almost halved the time taken to make a man's shirt in the past three years. Alexon has doubled the productivity of one of its clothing plants since the start of the decade.

These improvements in structure, in the calibre of management and in productivity have undoubtedly strengthened the industry. Yet it still suffers from inherent weaknesses.

The rationalisation of the early 1980s was beneficial in that it eradicated surplus capacity, but it also left gaps in the industry's structure. The "shoddy" trade – or the process of recycling woollen rags – which once flourished in Yorkshire has disappeared, thereby removing a cheap source of raw materials for the wool industry. The Italian industry, by contrast, benefits from a thriving shoddy trade.

Moreover, although the UK manufacturers have achieved encouraging improvements in productivity, their plants tend to be less modern than those of their West German and Italian competitors.

As a result UK manufacturers are less productive. Werner, the international management consultancy, recently conducted an exercise to gauge the output per man hour in the production of standard cotton yarn. Italy was rated at 100 and West Germany at 96. The UK mustered just 68 alongside France, Spain and Portugal.

And the industry is still vulnerable to sudden changes in demand. Knitwear manufacturers in the East Midlands are now suffering because of the trend away from knitwear to more tailored clothing and leisurewear.

There are still sudden influxes of imports. The acrylic spinners of Yorkshire are blighted by short-time working, lay-offs and a plant closure (by Lister) chiefly because of an influx of cheap yarn from Turkey.

It is these weaknesses which have prevented the industry stemming the increase in imports in the 1980s. Labour costs for textiles in the UK are now among the lowest in Western Europe. Thus in theory the productivity improvements should make UK manufacturers more competitive in the international arena. Indeed optimists in the industry, notably Mr David Alliance, chief executive of Coats, maintain that the high level of imports represents an opportunity, not an obstacle.

Yet the level of import penetration has risen, rather than fallen. Last year, when the dollar declined, the influx of imports accelerated further rising by 13 per cent to £6.5bn. Similarly the trading deficit worsened, from £2.5bn to £2.9bn during the year.

Despite the influx, most of the sectors succeeded in maintaining production. The industry's output was stable in real terms, increasing by 4 per cent to £12.4bn. The only areas of weakness were cotton and knitting. All the other sectors countered the increase in imports by benefitting from a buoyant home market and expanding exports.

But this year the outlook is more ominous. The strengthening of sterling has made UK textiles even less competitive. So far the industry has been sheltered by the complex quotas negotiated under the Multi-Fibre Arrangement and by the fact that most orders were placed before the dollar began to fall.

Mr David Buck, textiles analyst at the Barclays de Zoete Wedd securities firm, estimates that UK retailers will buy from domestic manufacturers for as long as the price differential between their goods and comparable imports is no higher than 20 per cent. The differential is now just under that level and is expected to rise as the year progresses.

There are already signs that the multiple retailers are sourcing more overseas. Even Marks and Spencer plans to increase the proportion of imported clothing sold in its stores by a few percentage points.

The growth of imports will again be restricted by quotas. But a surge of overseas goods is also damaging in that it depresses prices, thereby imposing pressure on profit margins.

This problem of overseas competition is compounded by the uncertain prospects for consumer

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UK clothing industry

Living with a strong pound and a forceful customer

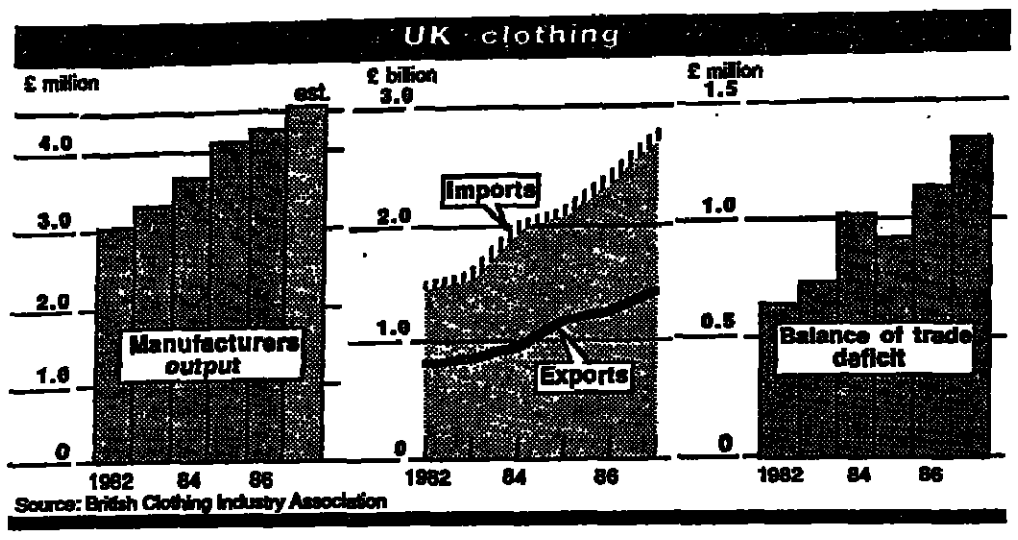
FOR MONTHS the British clothing industry has watched the rise of the pound and the fall of the dollar on the foreign exchange markets with a sinking heart.

A strong pound makes the task of selling British clothing overseas much more difficult. And a weak dollar threatens to unleash a flood of imports from low cost producers with related currencies in the Far East.

So far the industry has emerged unscathed. The flow of imports rose steadily throughout 1987. But so did exports. Moreover the clothing companies were sheltered by the complex web of quotas created by the Multi-Fibre Arrangement.

As a result, the industry succeeded in sustaining output at £4.5bn last year. Similarly employment, which has been stable at around 225,000 for several years, was maintained. So far Britain's clothing manufacturers have been spared the emergency cutbacks now afflicting their counterparts in the shoe industry, which has borne the full brunt of imports.

"The exchange rate is a serious problem for us," says Mr Donald Parr, chairman of William Baird, one of the largest clothing manufacturers. "At the moment the bulk of the industry is still busy, but there is no doubt that 1988 will be a difficult year."



Source: British Clothing Industry Association

Clothing is one of the largest and most diverse areas of British manufacturing. At one extreme are the subsidiaries of the giant textile groups like Courtaulds and Coats Viyella, and at the other, the sweatshops of the impoverished inner cities.

The "established" industry is dominated by a single force. Marks and Spencer, or "Baker Street" as it is called in reference to the address of its London headquarters, has been the clothing industry's biggest customer for decades.

M and S's requirements – high volume, standardised production runs with scrupulous quality control – dictate the structure of the larger companies. Many have nurtured a long relationship with it over many years. Some of the smaller suppliers, like S.R. Gent and Corah, are almost solely concerned with M and S. Others like Courtaulds, Coats, Alexon, Baird and Tootal supply it from dedicated production plants.

The relationship between M and S and its suppliers hinges on mutual dependence. Each supplier receives a commitment for a specific volume of clothing, with the chance of additional orders as the season progresses. As a *quid pro quo*, M and S is assured access to the quantity and quality of clothing it requires to fill its enormous retail empire.

The only obvious problem is that the industry is so very reliant on a single supplier. Some critics claim that the existence of one enormous customer has "stultified" the clothing sector, by removing the incentive for manufacturers to drum up business in other areas. Moreover, when M and S runs into problems – as it did with women's outerwear last year – it bodes ill for the whole clothing industry.

But, by and large, the relationship works well. In the dark days of the early 1980s, when many other retailers looked overseas for suppliers, M and S's loyalty was the industry's salvation. Today it buys a quarter of all the clothing made in Britain.

Much of the rest of the industry is polarised between the high quality branded manufacturers and the complex network of contract manufacturers and "middlemen," or wholesalers, which dominate mass market clothing production.

The £1.4bn export sector is the province of the brands, such as Austin Reed and Aquascutum in clothing and Dawson International for knitwear. The strengthening of sterling poses a problem for the industry's exporters. Yet most are sheltered by the fact that their "classic" British merchandise is in expensive, less price sensitive niches.

At the other end of the spectrum are the contract manufacturers. Some are comparatively large concerns equipped with modern machinery to supply mail order catalogues and high street chains. Others function as sweatshops from drab premises relying on an unofficial workforce of poorly paid home workers, making cheap clothes for market stalls.

It is impossible to gauge the size of the sweatshop sector, chiefly because part of it operates illegally. Nevertheless the phenomenon of the "small firms" – most of which are legitimate enterprises – is a feature of the clothing industry especially in the inner cities.

A recent study suggested that at least 20,000 people are employed by "small firms" in London alone. Mr John Wilson, director of the British Clothing Industry Association, estimates that the sector accounts for "at least 10 per cent" of output.

Despite this profusion of tiny enterprises, the industry has made very real advances in productivity within recent years. The BCIA says that output per employee has risen by about 40 per cent in the 1980s for the sector as a whole.

Some of the most modern plants can claim far greater improvements. Alexon, for example, has increased the productivity of its branded factory by almost 40 per cent in the last two years alone. Mr Eddie Tarr, chairman, estimates that the productivity of Claremont, its M and S plant, has doubled since the start of the decade.

Such improvements have come from the introduction of new computer controlled systems for cutting – hitherto one of the most labour intensive areas of production – for garment handling and in warehousing and distribution.

The clothing companies rely on new technology to counter the cost advantage of their overseas competitors. "Quick response" – or the ability to supply retailers more speedily than overseas manufacturers – has been bandied about as the panacea for the industry's problems.

There has undoubtedly been great progress in speeding up the production process. Coats Viyella, for example, has almost halved the time taken to make a shirt in its Northern Ireland factories within the past three years.

Yet so far "quick response" has made no impact on the balance of trading. On the contrary the level of import penetration has risen: from 30 per cent in 1982 to 32 per cent in 1986, although it is arguable that the deficit would be even worse were it not for new technology.

Moreover there is plenty of scope for further progress. "The improvements so far have been in the area of organisational productivity," says Mr Martin Taylor, managing director of Courtaulds Textiles. "The days of robotics are still in the future. In the meantime the efficiency of a clothing factory is still dependent on the skill of the people on its sewing machines."

Alice Rawsthorn

Profile: Jockey

Fit contender in a hard race

JOCKEY, the UK manufacturer of the ubiquitous, though generally hidden, Y-front, has made an impressive financial turnabout over the last four years through capital investment and improved management methods.

The success of the company demonstrates the effectiveness of the management style of Sir Christopher Hogg, chairman of Courtaulds, the UK-based textiles and chemicals group which owns the company. Courtaulds was rescued by Sir Christopher after the group suffered badly during the recession in the early 1980s.

At its worst position, the company reported losses after tax in 1980 and an extraordinary item of £114m. The results that year were the culmination of 30 years of decline and a final deterioration assisted by increasing imports from the Far East.

Jockey's management is committed to new technology and management methods. The lead comes from the top: John Russell, the chairman of the company not only has a mobile phone in his car – now fairly standard practice – but a modem as well so he can link up his Toshiba laptop.

This symbolism is reflected in much, though not all, of the rest of the company. Jockey has invested in new machinery or computer technology in most stages of design and production.

"If you had seen this factory three years ago," says Alan Watkins, the manager in charge of the knitting section, "you would have thought it was a sweat shop." Mr Watkins says that production in the knitting section has been increased through new Italian machines supplied by Bresica-based company, Orizio which because of their reliability can successfully work shifts from 6am to 10pm.

In the cutting section is a new £80,000 machine from Bierrebi based in Bologna, which according to Mr Watkins is much faster and accurate than the previous method of cutting by hand with scissors.

"We have replaced machines in nearly every part of the production process. But there's not a single piece of English machinery on the floor," he points out: "They're all Danish, Swedish or Italian. It's tragic. Even the needles on the sewing machines are German."

Delivery dates, after sales service and reliability, played a part in Jockey's decisions to place orders abroad. But the most important factor, says Mr Watkins, was that UK machine manufacturers were too expensive.

Jockey is determined not to suffer the same fate as UK machine suppliers. The prices of its garments have not risen since 1985, which, the management claims, is a measure of its success in reducing costs through investment.

"Three years ago our costs were 30 per cent higher than those of competitors in Portugal. Now we are competing equally," says Jonathan Marshall, production manager at Jockey.

The production line has been rationalised and the company estimates this has increased productivity by 15 per cent. Machinists remain static at their desks while computer-tagged trolleys are moved between them.

"The line used to be like a maze," says Mr Watkins. "Now we have a single straight line." The company also believes that an important component in the improvement in productivity has been the introduction of a system of statistical quality control.

Mr Marshall explains that as late as November 1986, Jockey, like most of the clothing industry, used a system which involved checking 100 per cent of garments leaving the factory. A quarter of the workforce was involved in some form of quality control.

The statistical quality control system has proved much more efficient. A controlled sample of the work of each machinist is taken every two hours. If the sample fails, the whole batch is returned to the worker who has to recheck each item. During the time the machinists are rechecking their work they lose the money they could have gained on extra production.

Mr Marshall claims that the idea behind the system is to create a new culture within the company – and to create what he calls the thinking worker. The progress of each machinist and each line of machinists is monitored and results posted on boards. Around the factory and on the trolleys of machinists who have failed quality targets are posters proclaiming: "Get it right first time."

Jockey estimates that statistical control has meant a reduction in the reject rate from 3.2 per cent to 2 per cent, and fewer customer returns.

However, Jockey is far from completely modernised. Although the company deliberately rejected robotics for sewing because its machinists were more accurate and quicker, there are some areas which are still lagging.

An example of low tech is the method by which the manager in charge of statistical control draws up the graphs illustrating quality rates: he draws the results on graph paper by hand with a pencil. Similarly, when the Lectra digitiser (which is used to plot the most effective way of cutting material to avoid waste) was demonstrated, the machine was not reaching the 85 per cent utilisation rate which the company argued was necessary to prevent profits being put in the waste-bin. Indeed, to the surprise of one of the managers, it was 10 per cent out from the company's target.

Nevertheless, Jockey argues that its achievements are impressive. The company has introduced "just in time" stock control, lessening the delay between order and delivery and the risk of being caught out by fashion changes. Far from being caught out by the boxer shorts phenomenon, Jockey was able to exploit the market change.

The company also says its marketing efforts have been improved. Now that men's underwear have become fashion items, Jockey believes it is ready to exploit the market. It points to its campaign highlighting the 50th anniversary of the Y-Front in Britain and a drive in British youth fashion magazines, such as The Face, as examples of improved marketing.

However, Jockey remains, like many other sectors of Courtaulds, vulnerable to the vagaries of the money markets. A recession or a continuation in the fall of US dollar and the currencies of countries like Taiwan and Hong Kong which are linked to the dollar could jeopardise the progress that Jockey has made.

Paul Abrahams

The Y-front in 1941, doing its bit for wartime Britain

Cotton industry

Doing the right things at last

IN ITS heyday, the Lancashire cotton textile industry claimed to make cloth for the UK market before breakfast on a Monday morning and for the world during the rest of the week.

In recent years employment has contracted sharply in the cotton and allied textiles sector. In 1960 the sector had 203,000 employees. By 1980 employment was down to 54,000 and by end of 1987 had almost halved to only 29,000.

The chief culprit is rising imports, mainly from the Far East, which the industry has failed to match by increasing exports. Moreover investment has been lamentable. In 1985 only a third of looms installed in the UK cotton sector were of the faster shuttleless variety compared with about half in Italy and West Germany, and nearly 60 per cent in France.

The Manchester-based British Textile Employers Association (BTEA) estimates there are about 300 sites in the sector engaged in spinning, weaving and finishing. Most are now part of the large groups although over half of the 50 or so finishing plants are still in private hands.

Mr David Alliance, chief executive of Coats Viyella

The majority of plants are still located in the sector's traditional heartland but there are outposts as far afield as Scotland and the South of England. The sector's main products include yarns, apparel fabrics, textile rental products, household and contract textiles, surgical textiles and industrial materials.

The biggest operators are the two UK textile giants: Coats Viyella and Courtaulds. Tootal, once a major player, largely withdrew from cotton spinning and weaving some years ago and has been sourcing its requirements of basic fabrics from abroad ever since.

Courtaulds' big expansionary phase was in the 1960s and early 1970s when, anxious that rising imports could wipe out its textile customers, it acquired a large part of the Lancashire cotton industry to secure guaranteed outlets for its viscose fibres.

Since then, its cotton textile operations have contracted sharply. In the mid-1970s Courtaulds had at least nine mills weaving spun cotton textiles. Four were showpiece, state-of-the-art factories on greenfield sites at Skelmersdale, Workington, Carlisle and Campsie, with a fifth projected at Belmont near Durham. By the early-1980s all except two had closed. In November last year Belmont Weaving closed too.

A similar fate was predicted for large parts of loss-ridden Carrington Viyella when it was bought in 1982 by David Alliance's Vantona (now Coats Viyella). Job losses were minimal, however, and no sites closed.

Courtaulds' strategy has been to focus on downstream sectors such as clothing and knitwear where it has a competitive advantage in being able to offer volume and quick response to meet the needs of large retailers. Woven fabrics for apparel are largely imported.

The BTEA is quick to point out that contraction is nothing new – the peak years for exports and production of cotton textiles were 1912 and 1913. The sharpest fall in recent years was in 1980 when output fell by more than a third. Output rose marginally in 1987 but was still only four-fifths of its level in 1980.

Import penetration is much higher in cotton and allied textiles than in the wool sector. Nearly 80 per cent of cotton cloth is imported against only 41 per cent for wool and worsted cloth. But while the bulk of grey (loom-state) fabric imports come from low cost countries – mostly Pakistan, India and China – most dyed and printed fabrics come from other developed countries including Japan, Italy and West Germany.

Most of the investment in spinning and weaving has been directed at household textiles. In the 12 months to September 1987, household textiles output was nearly a fifth higher than in 1980.

Coats recently spent £6m re-equipping its Howe Bridge plant. The mill produces yarns for Dorma, its branded household textiles operation, where quality is all important. Nearby is Unit One which, when opened 10 years ago, was the first new spinning mill to be built in Lancashire since the 1930s.

The group is spending a further £6m on Sulzer air jet looms at Fold Mill, bringing the total invested since the start of 1986 to £24m. It is now looking at re-equipping its apparel fabrics capacity in both filament and staple yarn weaving.

Courtaulds is investing too. It has recently spent £3.5m on air jet looms and computer-controlled dyeing at its towel mill at Ashton Brothers, Hyde, near Manchester. Output has increased by 35 per cent in only a year and the plant is producing double the amount it made 15 years ago. Courtaulds is also investing in spinning to supply its towelling and knitting operations.

Import penetration in cotton yarns, at about a third of consumption, is much lower than in fabrics. Significantly, Courtaulds remains stronger in spinning than in weaving, despite the contraction which, since the late 1970s, has resulted in a reduction in the number of mills from 42 to 28 and a halving of the labour force.

Today there is more design input and re-equipment has started in the group's spinning mills with the latest open end machinery which splices rather than knots yarn breaks, giving long lengths without faults. It has already spent £4.5m at Maple Mill and a further £5m is to be spent on re-equipping its Swan Lane plant.

Meanwhile, Lonrho Textiles which operates a large vertical textile mill at Cramlington, Northumberland, producing bed linen and workwear, recently announced plans to spend £31m over five years in re-equipping the plant with new spinning and weaving machinery.

The days of volume manufacture of basic cotton textiles are long gone. The smart operators have learned how to grow and make profits within a shrinking sector by developing long-term relationships with customers and by focusing on individual niches – household textiles and furnishings, upholstery, geotextiles and short-run, top of the range apparel fabrics – and on downstream sectors like finishing where service is all-important.

Today, finishers are in a potentially strong position. The finishing sector has pulled out of its trough of the early-1980s; in the four years to 1987 output rose 22 per cent to a level 6 per cent higher than in 1980.

The BTEA argues that to look to history is inappropriate. What is left is more in tune with the realities of world trade and comparative advantage. Perhaps for the first time in over 70 years, capacity is in line with long-term demand, rather than lagging behind its downward spiral.

Productivity has improved, too. Only 10 years ago it took nearly 25 people to weave 1m square metres of fabric made from spun and filament yarns; in 1987 it took only 16. Courtaulds Spinning estimates its productivity to have increased by up to 60 per cent over the same period.

The cotton and allied textiles sector at last appears to be doing the right things, albeit by force of circumstance, and order books are healthy at the moment. It has got out of volume markets where import competition is greatest. It may be leaner, but it is certainly fitter.

However, profits need to be reinvested if the industry is to remain competitive in the EC. So far it has concentrated investment in sectors which appear to offer the best future – in branded consumer products, specialities and in downstream sectors like printing and finishing. Coats Viyella, capitalising on machinery advances, is poised, albeit cautiously, for import substitution in basic fabrics.

Not all players are so confident. Tootal, the first to get out of basic textiles, has made clear its view of the road ahead. "The future," according to its latest annual report Accounts for 1986-87, "lies in global marketing, distribution and sourcing."

Robin Anson

Knitwear industry

Tights in fashion

ALMOST 400 years ago, the Rev William Lee invented the hand knitting frame in the tiny Nottinghamshire village of Calverton.

His invention not only simplified the knitting of socks and stockings for his parishioners, it also laid the foundations for the knitting industry which is a dominant feature of East Midlands manufacturing to this day.

More than two-thirds of Britain's knitting production is based in the East Midlands; the rest is divided between the Scottish Borders and Northern Ireland. The industry of today is composed of more than 600 companies, with a workforce of 80,000 people.

Despite the corporate machinations of the late-1960s – when Courtaulds and Coats Viyella, then Nottingham Manufacturing, bought up many of the family firms – the industry is still dominated by small companies. Courtaulds and Coats now account for nearly a third of the workforce, but four-fifths of the 1,700 or so production plants employ fewer than 100 people.

A salient feature of the latter-day industry is the emergence of ethnic enterprises, many run by Asian entrepreneurs. These have become a force in the last decade. A recent report commissioned by Leicester City and County Councils suggests that Asian firms in the area had a collective turnover of £150m to £200m last year.

Many of these companies conform to the stereotype of the family firm churning out cheap knitwear for sale on market stalls. Others are now substantial concerns operating from large mills with modern machinery.

The principal problem confronting all companies – large and small – is the continuing influx of imports into Britain. Imports first surfaced in the late 1950s and early 1960s. But in that era the industry was booming as the new man-made fibres added outerwear, and later leisurewear to its production portfolio.

It was in the late 1970s when the slump took its toll on consumer spending that the industry bore the full brunt of rising imports. More than 30,000 jobs have been lost since 1979; the Knitting Industries Federation (KIF) attributes 70 per cent of these losses to the impact of imports. The remainder comes from improvements in productivity.

The influx of imports continues. The decline of the dollar, and the consequent fall of the Far Eastern currencies linked to it, ensured that the flow of imports rose by 22 per cent to £1.13bn last year. The increase would have been even higher were it not for the quotas levied by the Multi-Fibre Arrangement. In 1987, for the first time in many years, these quotas were fully utilised.

"Luckily the home market has been buoyant and this buoyancy has protected the industry from the increase in imports," says Mr John Harrison, director of the KIF. "But a downturn in consumer spending could cause serious problems."

The phenomenon of the year was Chinese knickers

The level of consumer demand varies from sector to sector. The hosiery market – dominated by BTR's Pretty Polly and Courtaulds' Aristoc – is thriving thanks to the transformation of tights from a commodity to a fashion product.

Yet demand for knitwear – where Courtaulds, Coats and Corah are the largest concerns – is lacklustre, chiefly because of the trend towards more tailored clothing and to leisurewear. Moreover, profitability has come under intense pressure in the past year or so.

Mr Colin Cook, who runs a small knitting firm making children's and babywear with sales of £3m and 240 employees, says that the squeeze on margins in the domestic market is forcing him to drum up new business overseas.

Moreover, the whole knitting industry is prey to sudden surges of imports in individual product areas. The phenomenon of 1987 was the unexpected appearance of 63m pairs of Chinese knickers in Britain.

They came into the country at an average price of 22p a pair, less than the cost of the raw materials for a British manufacturer. Such sudden surges of imported products – in huge quantities and priced at a level with which British producers cannot hope to compete – pose a serious threat to the stability of the industry.

The only solution for British companies is to try to erode the cost differential between their products and those of their overseas competitors with new technology.

"No retailer needs to buy from a British manufacturer," says Mr Tony Rowe, managing director of Mansfield Knitwear, part of Coats Viyella. "We have to make them want to buy from us by by offering the best designs and the best service. These are the weapons to beat increasing imports and a lousy exchange rate."

The chief obstacle for the industry is that knitwear production is highly labour-intensive. In recent years new electronic and computer-controlled equipment has become available for knitting and for cutting. Similarly there have been advances in the areas of computer-aided design and production planning. But there has been little progress in automation in making-up, the most labour-intensive part of production. Even a modern concern like Mansfield deploys three-quarters of its workforce in the making-up area.

The pace of technological change within hosiery, especially within tights and stockings, has been far faster. Given that a pair of tights, unlike knitwear, is a standard product, it has been possible to automate production to a higher degree.

Hence Pretty Polly has been able to reduce the length of time taken to knit tights from two minutes per leg in the early1970s, to one minute in the early 1980s and to 45 seconds with its most modern machinery today.

Similarly, it has been able to simplify the production process. In 1983 there were eight different operations involved in making a pair of tights at its commodity plant in the Irish Republic. By 1987 this had been reduced to five operations. By the end of next year it should have been whittled down to three.

Moreover, the progress of the hosiery manufacturers in arresting the advance of imports augurs well for the rest of the knitting industry, and indeed for the textile sector as a whole. For hosiery, one of the areas in which automation is most advanced, is also one of the few fields where the level of imports has stabilised in recent years.

Alice Rawsthorn

Yorkshire woollen industry

Boom in suits may bolster 19th century image

IN OLDER industries, town rivalries die hard. And, although much diminished in terms of numbers employed, the Yorkshire wool industry still defies being lumped together. Production remains localised and many firms have become increasingly specialist.

Broadly speaking, the industry divides into a woollen sector (manufacturers processing carded wool) and a worsted sector (firms using combed wool). Bradford, with the odd exception, is the home of the medium-quality worsted industry while Huddersfield is the centre for fine worsted manufacturing. The remains of the woollen industry – once large but savaged from the 1960s onwards by imports from Italy – are situated along the Colne Valley.

Employment in wool textiles in Yorkshire has remained fairly constant since 1982, at approximately 34,000. The much smaller Scottish wool industry employs around 4,000. This is in stark comparison with employment levels before the drastic shake-out of the 1970s. Between 1971 and 1977, 43,000 jobs were lost in the industry as a whole.

There are around 400 firms within the Yorkshire wool textile sector. They comprise producers stretching from scourers and combers to weavers and finishers, and include the four large acrylic spinners which feed the Midlands knitwear manufacturers. Despite the emergence of the wool textile groups, which swallowed up many family-owned mills in the 1970s, the industry is still a small firm sector. The average company employs 150 people.

The two major UK textile groups, Coats Viyella and Courtaulds, both have interests in Yorkshire wool textiles. Coats Viyella has substantial involvements, chiefly in spinning; Courtaulds is involved to a far lesser degree.

Other major forces on the Yorkshire wool scene are the groups which have grown up within the industry itself. They include Allied Textiles, the John Crowther Group, Dawson International, Illingworth Morris, British Mohair, Parkland, John Foster and Readicut International. W & J Whitehead in Bradford is the largest private company in UK wool manufacturing.

Expansion in the worsted sector has tended to be horizontal: in fact large companies, like Allied Textiles and Huddersfield Fine Worsteds, part of the Illingworth Morris Group, produce several collections under different names.

As in Scotland, the Yorkshire woollen sector is largely vertically structured. Courtaulds' chief interest in Yorkshire wool textiles, for example, is Courtaulds Woollens, a vertical mill on a single site which results from rationalising five separate mills.

Much of the recent growth among the larger fabric producers has been in the home trade, with the chain stores and multiples. Some, like Parkland, have built up a close relationship with UK retailers over the years; others, like John Foster, are newer entrants. Foster the world's largest mohair weaver, has expanded its chain store business sixfold over the last three years.

The retailers' demand for quicker turnround has encouraged investment in faster looms, continuous processing, automated handling and computerised matching systems. And, although not as advanced as the best of the West German producers, most Yorkshire mills are not the noisy, dusty places they were even 10 years ago.

Some weavers – such as Parkland and Joseph Hoyle, part of the Lister group – are using computer-aided design systems to develop new ranges. Nevertheless, the industry depends as much on essential craft skills as on new technology – especially in the fine worsted sector.

In 1985 UK wool producers were cock-a-hoop, having broken their export record with a figure of £607m. This was followed by a levelling off with a figure of £558m in 1986 with a recovery to £593m in 1987. Raw wool and tops (combed wool prepared for worsted spinning) did especially well in 1987; the Japanese market for British wool fibre revived during the year and the demand for tops was boosted by the activity in worsted weaving, particularly in Italy, West Germany and Japan.

Despite the drop in the dollar, UK exports of worsted fabrics to the US actually rose in volume during 1987. Exports of woollen fabrics to the US, however, dropped by 33 per cent in volume between 1985 and 1987, the fashion for smooth fabrics being a contributory factor.

The slack left by the downturn in US exports has so far been offset by increased sales to Western Europe and Japan where the continued strength of the yen has helped.

The industry is concentrating its efforts on maintaining its performance in established markets. Producers are also developing new cloths – such as silk-rich wool blends – which escape the high tariffs imposed to protect indigenous wool industries.

The past two years have witnessed something of a wool boom, stimulated by the return to the suit and the swing away from cotton-based casualwear. The trend for smooth, lightweight fabrics has especially favoured the Yorkshire worsted sector; many mills are booked up until the autumn.

But worsted producers now face serious challenges: adverse exchange rates and rising wool prices.

Prices of the finest Australian wools have been most affected, doubling between November 1986 and November 1987. This has had a knock-on effect further down the scale with medium qualities also seeing substantial price rises. The situation is attributed to China – and to a lesser extent, the USSR – buying huge quantities of raw wool. Considerable mystery surrounds China's behaviour: as yet there is no noticeable increase in Chinese wool exports.

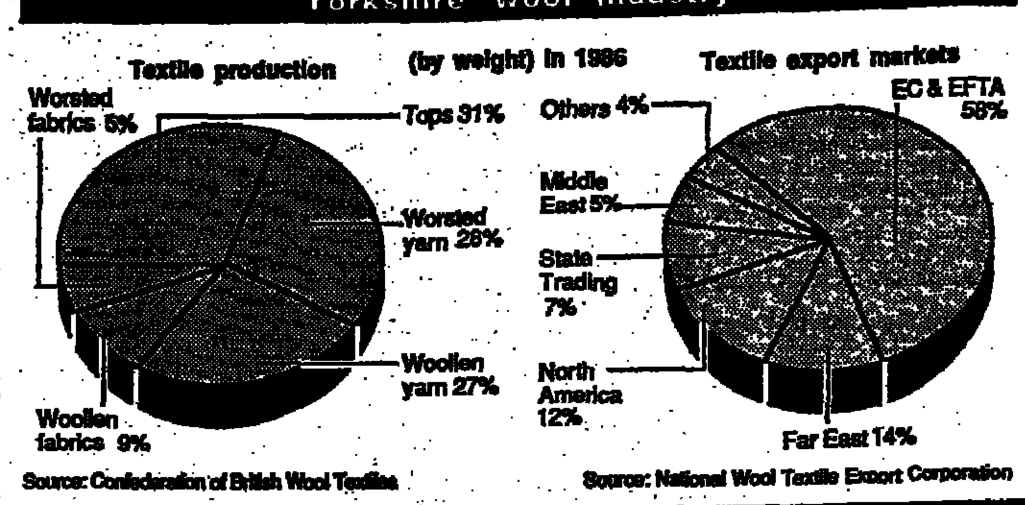
As users of the finest wools, worsted fabric manufacturers have been hardest hit. Those at the top end have been partially insulated by the nature of their market. But mills supplying medium quality worsteds are having to look at lighter weights, blends with other fibres and greater production efficiency.

In the acrylic knitwear yarn sector, growth has been curtailed and prices depressed by cheap Turkish yarn imports which grew from 45 tonnes in 1984 to over 4,000 tonnes in 1987. Hand-knitting yarn spinners are additionally suffering from sluggish demand from the consumer.

But one of the main difficulties facing all the Yorkshire wool companies is the industry's image problem. Wool textiles is still perceived as a "19th century" industry and it will take years of expansion and investment to get to grips with this problem.

Alexandra Buxton

Yorkshire wool industry



Source: Confederation of British Wool Textiles

Source: National Wool Textile Export Corporation

Mechanical handling systems are enhancing Courtaulds' ability to respond to retail orders

Profile: Taylor & Lodge

Smart work at the mill

IN WOOL textile circles, Gordon Kaye is something of a local hero. A down-to-earth Yorkshireman in his late 40s, Mr Kaye is managing director of Taylor & Lodge in Huddersfield, weaver of some of the world's finest and most expensive fancy worsted cloth.

Taylor & Lodge is small but highly specialised, weaving between 70 and 80 pieces (4,200 to 4,800 metres) of cloth a week. Though limited in quantity, the product is extremely high in added value. At the top of its range, Taylor & Lodge produces suitings in luxury blends – cashmere with a dash of vicuna, mink or ermine – which sell for more than £100 a metre. Its average price, for pure wool or wool based worsteds, is more modest at £25.

Some 70 per cent of the company's sales is direct export; a further 20 per cent is exported indirectly. It has markets in 25 countries but the key customers are the Far East, primarily Japan, which takes 40 per cent of production; Western Europe and the UK which account for another 40 per cent; and the Middle East, representing 15 per cent.

A high proportion of sales are to trading houses and merchants who sell on to tailors. Less than a quarter are to clothing manufacturers. The most expensive fabrics sell to Japan where men will pay up to £10,000 for a suit. Between £5,000 and £6,000 is considered "fairly normal" in this market niche."

Eight years ago Taylor & Lodge almost disappeared. The company was declared bankrupt and its 250 employees were made redundant, many with little hope of finding alternative employment. In Huddersfield, the mill's closure was regarded as the end of an era. Perceived as the Rolls Royce of worsted weavers, it had reached its pinnacle in the 1960s. In 1966 it won the Queen's Award for Export. By the 1970s it was losing its way, relying too heavily on too few markets and allowing quality control to slip.

Unexpectedly, Taylor & Lodge was purchased by a Palestinian born entrepreneur, Mr Omeir Cotran, who formed a consortium with two business friends, a Jordanian mill owner and a leading cloth merchant in Tehran. Chairman of the OMC group, Mr Cotran was no newcomer to textiles. OMC is a highly successful trading operation, selling British made cloth overseas.

Mr Cotran persuaded Gordon Kaye to leave his job as a sales manager of Learoyd, a local worsted weaver which had employed him for 22 years, and set about reviving Taylor & Lodge. In December 1980, Mr Kaye walked into an empty mill. He admits he felt terrible: "It was a depressing sight. Most of the looms were at least 50 years old. The building hadn't been painted for 25 years."

Taylor & Lodge re-emerged in 1981 with a skeleton staff and considerable goodwill from its long-standing customers. Within three months of his appointment as managing director, Gordon Kaye secured an order worth £250,000. Gradually the workforce was expended to reach its present 90.

Initially, re-equipment consisted of re-conditioned machinery; the firm bought its first new machines only 18 months ago. Last year however, it spent £600,000 on new production technology.

But many of its processes remain labour-intensive. The mill is one of only a handful which still carries out paper pressing (heat and pressure are applied to finished cloth sandwiched between sheets of card) to give it a subtle "bloom." Each metre is inspected at least six times and computers will never replace the skilled menders who pick up every broken thread.

Sophisticated technology now stands cheek by jowl with wooden and iron washing machines from the 1900s; there is no substitute for wood in providing a high quality handle to the finished cloth. The mill still obtains all its water from the River Holme – famed for its softness – which rushes past its windows.

Part of Taylor & Lodge's success is its careful targeting of collections to different nationalities. Its designers produce 1,000 new design ideas every year, a contributory factor in its high prices. In 1981 the firm developed a lightweight washable wool for the traditional Arab robe, the dustacha, in response to a challenge from a Kuwaiti merchant.

"In the old days, a mill designed one collection for the world. Today one has to aim for specific markets. It means careful market research and understanding the culture and customs of a place," says Mr Kaye.

His style is to get on with the job in hand. Once stuck at an airport in the Middle East, he gathered a group to hire a bus to travel for 17 hours through the desert. But his success, and the personal loyalty he commands, carry a price.

Although no self-publicist, Gordon Kaye has inevitably become the company figurehead in customers' eyes. He has a strong design and production team at the mill, but on the marketing front there is no-one learning at his elbow.

Mr Kaye knows what he is good at – and where the skills of his workforce lie – and is determined to stick to the top few rungs in the market. Attempts to develop a branded Taylor & Lodge menswear range flopped well before any products reached the market, and he has so far resisted the idea of extending the firm's production into a more middle market range. "It's not an area we know and I feel that our customers wouldn't like it."

Taylor & Lodge is now worth at least 10 times as much as in 1980. It has made a profit every year and its turnover has risen from £1.2m in 1981 to between £3.5m and £4m currently. So far it has rebuffed the overtures of the larger wool textile groups which would dearly like to add one of the industry's classiest names to their own stables. "If we can paddle our own canoe," says Gordon Kaye, "so much the better."

Alexandra Buxton

Scottish knitwear and wool

Quality counts and so does design

THE SCOTTISH knitwear and woollen cloth industries are like the Scotch whisky industry: rooted in Scotland and producing a prized product with a strong foothold and a good name in markets all over the world. With their up-market associations and images of rushing rivers and heathery hillsides, the knitwear and woollen cloth industries are among Scotland's leading assets.

Whether they have always made the most of their strengths in the past is open to argument. But the recession at the beginning of the 1980s gave them a severe shock; weaker companies disappeared and output dropped. But the companies that remained have strengthened themselves through rationalisation and investment. They are now among the stronger sectors of the British textile industry.

To reach that position, the surviving companies in the industry have followed textbook restructuring programmes, with a big improvement in labour productivity, major investment in the new computer-aided manufacturing and design techniques, and something like a revolution in design.

The latter is the result of a crop of young designers moving in and making the industry more daring and receptive to consumer tastes. This summer, Scottish manufacturers are inviting leading world designers to a festival of woollen design in the Borders.

However, the knitwear and woollen cloth industries are subject to the forces of world trade. Both are large-scale exporters, with strong emphasis on the US and more recently Japanese markets. But they also depend to an important extent on the tourist trade in Britain. The poor year for tourism in 1986 when Chernobyl and the US air raid on Libya kept the American tourists away had an adverse effect on sales.

Now the weak dollar is causing anxiety and is likely to reduce the flow of tourists to Europe this year. But that is partly compensated for by the strong yen. A further worry is the threat to supplies of one of the knitwear industry's main raw materials, cashmere.

The knitwear industry is largely concentrated in its traditional heartland of the Borders where Hawick is almost a single product town. The woollen cloth industry is spread more widely over Scotland, ranging from the Western Isles with Harris tweed, via the North-East to the Borders, with a particular concentration in Galashiels.

The key name in the Scottish knitwear industry is Dawson International, the Edinburgh-based holding company which owns such famous knitwear subsidiaries as Pringle, Braemar, Ballantyne and McGeorge. Dawson, which recently moved its headquarters from Kinross, north of Edinburgh, to a fine new building in Charlotte Square in the centre of the city, is a tightly-managed federation of companies, all with their own niche markets.

The group is one of Britain's larger exporters, selling goods worth £88m overseas in 1987 out of total turnover of £334m, on which it made pre-tax profits of £46.7m. It reckons that two-thirds of its sales are to customers from outside the UK (including tourists visiting Britain).

Young designers have moved in and made the industry more receptive to consumer tastes

Dawson is investing heavily in its knitwear companies. Pringle recently opened a new plant at Arbroath in Tayside region, since the Borders with their small population are increasingly suffering from a shortage of labour. The Arbroath plant, in which Dawson is investing £6m, is now stepping up production from 4,500 units a week towards 6,000.

In Dumfries, McGeorge recently moved into a new 120,000 sq ft plant, while at the existing factories in the Borders, large investments are being made in new computer-controlled design and manufacturing equipment. Altogether the group invested £21m in 1987 and expects to spend the same amount in 1988, though part of this sum went to other sectors of the group.

Dawson is cashing in on the current fashion for cashmere in the US. It recently acquired Cashmere Cashmere, a recently formed retailing company which now has two shops in New York and has established a market for luxury cashmere products such as black cashmere T-shirts and capes, all selling at prices that Mr Philip Kemp, Dawson's US director, refers to as "Mercedes" rather than "Vauxhall."

However, cashmere sales depend ultimately on continuity of supplies of cashmere wool, which comes from goats in such countries as Mongolia, Iran and Afghanistan. In Mongolia – Dawson's main source of supply – the wool is collected by peasant women and Dawson has begun to wonder whether the Mongolian peasants, perhaps aware of rising world prices, have been hoarding wool.

But Dawson believes it has the best contacts of any in the cashmere supply industry – Mr Ronald Miller, the chairman, recently attended celebrations marking the 40th anniversary of the founding of the Inner Mongolia Autonomous Region. It also casts doubt on the viability of a recently launched project assisted by the Scottish Development Agency to breed cashmere goats in Scotland. Mr Miller says he thinks the Scottish climate lacks the extremes of heat and cold that cashmere goats like.

The woollen industry is distinct from the knitwear industry. It makes woollen yarn, cloth and accessories such as scarves and shawls, as well as rugs. Under this broad heading come products such as tweed and tartan. The companies that belong to the main industry association, the Scottish Woollen Industry, last year registered sales of £108m, though that excludes certain important companies, and leaves out the Harris Tweed industry. If these are included, the industry probably has turnover in excess of £200m.

It has undergone a transformation in the past few years. The industry has had to come to terms with the fact that its former staples, the so-called "bullet-proof" tweed and suits that last a quarter of a century, though useful as an underpinning of the industry's reputation, are no longer in such demand as previously. This has meant adapting its products to a more fashion-conscious market and allying itself with leading designers to appeal to younger customers.

The move in spring fashions towards lighter cloth – mainly worsteds – has posed problems for companies with vertically integrated mills since they are not equipped for spinning such yarns. The industry is now trying to add to its select but significant market in the US by building up its position in Japan, which in 1987 took 11 per cent of the industry's woven piece goods and accessories, against 8 per cent in 1986.

James Buxton

Profile: Dorma

Co-ordinated move to greater sales

ALTHOUGH Dorma's spinning mills produce enough yarn every day to stretch to the moon and back again, the company's chief concern is not with quantity, but with quality branded merchandise.

Mr Stephen Wild, its chief executive, says that Dorma is "obsessed" with design, quality and understanding the markets in which it trades.

The Dorma name dates back to the late 1960s when Carrington Viyella, then a formidable force in the Lancashire cotton industry, began to develop the "easy care" bedwear market, using polyester-cotton blends rather than pure cotton yarns.

Dorma pioneered the concept of the duvet, or continental quilt, in Britain, offering an alternative to the traditional combination of sheets and blankets. It was also one of the first companies to exploit the marketing potential of introducing colour and design to bedwear.

Today, as part of the CV Home Furnishings subsidiary of Coats Viyella, the giant textiles group, it is a leading player in the £495m bedwear market both as a manufacturer of its own branded products and of unbranded bedwear for multiple retailers like Marks and Spencer.

The lynchpin of the business is the Dorma brand name, which claims a 21 per cent share of its area of the branded home textiles market. But Dorma is not the only brand within the company. Following the recent re-organisation of Coats' home textiles businesses, it has taken the Diana Cowpe and Horrockses brand names under its wing.

Each operates within a different area of the market. Dorma occupies the middle ground with Diana Cowpe above and Horrockses below.

Its chief objective is to establish a base in Europe by 1992

The bedwear market is generally regarded as mature. A recent Mintel report estimated the level of real sales growth in the 1980s at 2 per cent a year. Prices have remained relatively static during the decade and sales generally come from replacement purchases.

Yet Dorma has succeeded in increasing sales by taking advantage of the consumer trend towards more stylish and colour co-ordinated merchandise. As a result its turnover has risen from £1.5m in 1970, to £78m in 1983 and to an estimated £100m last year.

A crucial factor behind Dorma's growth and strength within the market has been its commitment to co-ordination. It first introduced products to co-ordinate with its basic bedwear in 1975 when it brought out a range of matching curtains. It diversified into wallcoverings in 1978 and has been developing the concept into new product sectors ever since.

Today Dorma presents a complete "interior picture" to its consumers by offering lampshades, cushions, towels and tea trays to match its bedlinen, curtains and wallcoverings. It invests £2m a year in design and a further £2m on advertising and publicity.

Although its principal product is still bedlinen, it is increasing sales of co-ordinating merchandise. It now sells almost as many curtains as it does duvet covers.

Just as Dorma has invested in design and marketing, so it is investing in its production facilities. It is currently in the throes of a £24m investment programme to modernise its manufacturing plants which involves every part of the production process from spinning and weaving to hemming.

This investment programme has improved productivity throughout the company and has enabled it to cut costs. The introduction of new technology often involves cuts in the workforce. But because of the increased labour intensity involved in hemming, combined with growth in output, the total workforce has increased from 3,000 to 3,500 during the past five years.

For the future Dorma plans to maintain growth by moving into yet more merchandise areas. An obvious area for expansion is the living room, for which it envisages producing co-ordinated curtain and upholstery fabrics. Dorma already has the necessary manufacturing capacity in its specialist vat dyeing house.

Dorma is also looking towards Europe and the international marketplace. Currently only about 10 per cent of CV Home Furnishings' business comes from exports, but Dorma plans to increase its contribution from overseas over the next few years.

Its chief objective is to establish a base in Europe by 1992, when trade and tariff barriers will be harmonised throughout the European Community.

The first European market to be developed will be France. Dorma has been trading in France for 16 years, but two years ago it strengthened its presence by forming a French company. The Dorma brand name is still small within the French market; last year it achieved sales of £5m. But the company is proud that a Dorma design is the best seller in the main Galleries Lafayette department store in Paris.

Dorma plans to appoint a consultant to analyse its prospects in the European market. It also plans to use the resources of Coats Viyella's worldwide subsidiaries to turn the Dorma brand name into an international property.

Josephine Collins

Home furnishings

Now the name of the game is style

THE HOME furnishings market has been revolutionised in the 1980s by a basic change in consumer expectations. Where there was once a commodity market, there is now a fashion market where colour and pattern sell a product and where consumers expect co-ordination to a sophisticated degree.

The billion pound market includes bedlinen, towels, table linen, curtains, cushions and furniture covers.

The main players are the textile giants – Coats Viyella, Courtaulds, Tootal and Lonrho. The furnishings side of the business is, however, very fragmented with many smaller manufacturers making up fabrics bought overseas.

The home furnishings industry is an important employer, with a workforce of 28,200 people in March 1987, according to Department of Employment figures.

Following the textile mergers and rationalisations of the late 1970s and early 1980s, most of the British brand names survived, but not all of the manufacturing units pulled through.

Tootal withdrew from bedwear manufacturing for its Osman brand to concentrate on converting, and Courtaulds no longer manufactures bedwear, maintaining only a hemming operation.

Courtaulds now concentrates on its towel production under the Ashtons, Zorbit and Christy brands. Its Sundour brand is important in the curtain market, as is Tootal's Osman.

Coats Viyella includes the Dorma, Horrockses and Diana Cowpe brands in its CV Home Furnishings group and Vantona Textiles, Albert Hartley and Chortex in a separate division. Lonrho Textiles produces the Accord Brand which is sold through its own shop-in-shops, and other retailers. The Brentfords retail multiple forms part of the group as does the John Wilson chain of shops.

The newcomer to the market is Coloroll. From its background in wallcovering manufacture and distribution through the do-it-yourself sector, it took on the traditional textile manufacturers and retailers.

It bought the co-ordinated bedwear concept to non-traditional textile retailers, and undoubtedly shook those who were complacent into looking at their own marketing strategies. It is now an established force in the textile market.

According to Mintel, the home textiles market is mature with growth of only 2 per cent a year. It is sensitive to imports – about 40 per cent of sales – particularly at the lower end of the market.

To achieve growth in such a market, UK producers have moved out of a one season year into a two season year where fashion is crucial, where co-ordination means multiplying sales and where new product areas – like lampshades and cushions – increase turnover.

In addition a level of investment in the industry which is unprecedented since the 1970s is under way.

Coats Viyella is currently investing some £35m in its two furnishing divisions; Lonrho started a £40m investment programme over a five-year period last year; Courtaulds has invested £3.5m in weaving at its Hyde Mill and a further £2m will be spent this year; a £10m programme is under way by Coloroll on manufacturing of bedwear and filled products at the Boston base of Fogarty which it acquired last year for £31m.

All the companies plan to strengthen their presence in the Community

The UK producers place themselves in the middle and upper levels of the market, but the investment in advanced manufacturing equipment – like open-ended spinning and airjet weaving – enables them to compete with the cheaper imports. These come largely from Portugal and the Far East, although Turkey and India are developing exporters.

Indeed, according to the British Textile Confederation, both the import and export value of textiles was up 11 per cent in 1987, and although in deficit to the tune of £1.56bn (including spun fibres, fabrics, carpets and household textiles – the household textiles sector was particularly buoyant in 1987.

Sales within the European Community were especially so. Moreover, all the household textiles companies are laying plans to strengthen their presence in Europe after 1992, when trade and tariff barriers will be abolished.

Coloroll has a three to four-year objective to build an export business of about 20 per cent of its £78m textile business. Lonrho took its first steps into the French market only six months ago but wants to "build significantly" from its UK turnover of £55m.

Dorma has no specific target but has already built a £5m turnover business in France in the last two years. And Courtaulds sees Scandinavia and Europe as its targets to grow an export business which already accounts for just under 10 per cent of its turnover.

The industry is in the middle of a programme which is gearing it for the future. Following the depressed early 1980s it appears to be looking ahead with optimism.

Its manufacturing capacity is up and productivity is improving with new technology. This is enabling companies both to compete head on with imports and to concentrate on the value added sector.

Courtaulds is an example of this. Its newly equipped Hyde mill is able to produce towels at a quality and price level suitable for the major chains like Marks and Spencer. At the same time towels sold under its Christy brand are given added value through embellishment for the upper part of the market.

What all the UK producers agree is that regardless of the quality or even the price of their merchandise, it will not sell on today's market without the right style.

The colour has to be right, the design trend has to be right and there has to be the possibility of co-ordinating any one item with another to give consumers an interior design feel at every level of the market.

Josephine Collins

Carpet industry problems

A move upmarket after rationalisation

THREATENED BY imports, cursed with poor management, bullied by retailers and awash with surplus capacity, the carpet industry has for years been dismissed as one of the gloomiest areas of the textile sector.

Yet last year the 300 or so manufacturers which make up Britain's £780m carpet industry mustered something of a revival. Output and exports remained stubbornly static, but consumer spending on carpets showed encouraging growth and British carpet companies succeeded in arresting the apparently inexorable increase in imports.

This year the combination of weaker consumer confidence and the strength of sterling makes the outlook for the industry rather less favourable. Britain's carpet makers now face the challenge of proving that they can turn the modest gains of last year into a more substantial revival.

If the industry is to move forward, it must overcome problems that have dogged it in the past. These problems date back to the 1970s when an influx of imported carpets – first from the US, then from Belgium – began to flow into Britain.

The advance of imports was helped by parallel changes within the retail sector. Throughout the 1970s, the giant multiple groups – such as Harris Queensway and Allied Carpets – emerged as the dominant forces in carpet retailing. The consequent concentration of buying power not only eased the path of overseas suppliers moving into Britain, it also made domestic manufacturers vulnerable to the price pressure imposed by the "pile it high, sell it cheap" multiples.

The industry's own structural weaknesses made matters worse. As Rosemary Banyard, textile analyst at the James Capel stockbroking house, puts it, carpet manufacturing has been "an industry long characterised by low margins, over-capacity, under-investment and poor management."

In the early 1980s all these problems came to a head when consumer spending crumpled in the economic recession. Some carpet companies crashed into losses. Others collapsed.

Consumer spending has since recovered. But it has been the overseas manufacturers, the Belgians in particular, which have benefited from the recovery. In 1980, less than a fifth of all the carpets sold in Britain came from overseas, according to the British Carpet Manufacturers Association. By 1986 more than a quarter of carpets were imported.

Although the official data is not yet available, it is thought that in 1987 the growth in import penetration slowed down. Belgian manufacturers were inhibited by the strength of the franc. Meanwhile British manufacturers have benefited – by saving on raw material prices, which absorb almost two-thirds of costs – from the decline of the US dollar. Some US exporters took advantage of the weak dollar to return to Britain. But the dollar will have to fall further for US imports to become a serious threat.

This year neither consumer spending forecasts, nor the currency outlook are as favourable. Nevertheless, some of the changes which have taken place within carpet manufacturing in recent years augur well for the industry's prospects.

One crucial change has been the corporate restructuring of the industry and the consequent cuts in capacity. This restructuring has been dominated by the emergence of Coats Viyella and the John Crowther Group – now the subject of a takeover bid from Coloroll – as the dominant forces in the sector.

In 1985 Coats, then Vantona Viyella, added Lancaster to its established Donaghadee carpets company, when it acquired Nottingham Manufacturing. In the same year Crowther bought both Carpets International and Weavecraft.

Both Coats and Crowther have spent the last two years reorganising these businesses. Coats has rationalised four production plants into two – reducing the workforce by 400 to 1,500 in the process – and should have restructured administration by the end of the year.

It has also bought Youghal, the troubled Irish carpets manufacturer. There is, as Mr James McAdam, Coats' deputy chairman says, "a great deal of work to be done" at Youghal. Coats is now planning to reshape the business.

Similarly Crowther has concentrated its manufacturing in two plants, thereby shedding 400 jobs, or a quarter of the workforce. It has also established a new centre for marketing and administration.

Coats and Crowther are now established as the leading players in the industry, each with roughly 15 per cent of sales. But both found the process of restructuring to be more prolonged and painful than they had expected. Coats suffered from production problems last year; while Crowther is still grappling with the reorganisation of its huge plant in Kidderminster. If Coloroll succeeds in taking over Crowther it will face the challenge of turning round the carpet companies.

The weakness of Coats and Crowther has enabled smaller carpet companies – which have been investing in productivity and marketing for several years – to gain ground. It also gave Lamont valuable time to restore Shaw Carpets, the loss-making company it bought two years ago, to profitability.

Tomkinsons, for example, has succeeded in increasing its share of the residential sector. Meanwhile Brintons and Hugh Mackay have been able to benefit from the buoyancy of contract sales. These gains should stand all three companies in good stead.

The consensus in the industry is that the cuts in capacity were sorely needed. Many manufacturers believe that there are more cuts to come. "There is still a lot of clapped-out machinery producing barely profitable carpets," says Mr Lowry Maclean, chairman of Tomkinsons. "There will certainly be further rationalisation in the future."

The structural changes within manufacturing have been accompanied by similar changes in retailing. First the decline of the independent carpet retailers – which tend to sell on service and style rather than price – has been arrested.

Moreover, a new breed of multiple retailer – such as Marks and Spencer and Next – has ventured into the carpets field to temper the influence of the multiples. These developments have not only curbed the growth of Harris and Allied, but have forced them to modify their "pile it high sell it cheap" ethos in favour of more emphasis on marketing and design.

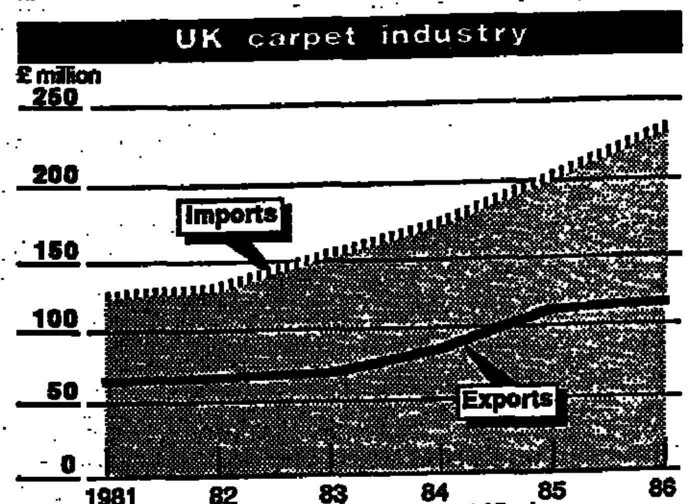
This has enabled manufacturers to introduce more "value" to their output, and thereby alleviate the pressure on profit margins. Coloroll, which had hitherto steered clear of carpets specifically because of retail pressure, was sufficiently encouraged to move into the market last year by buying Wallbridge Holdings and now to bid for Crowther.

However, it is changing consumer taste which most cheers the carpet manufacturers. In the past year or so the trend towards more stylish, more expensive products – evident in almost every other area of the textile industry in the 1980s – has finally filtered through to carpets.

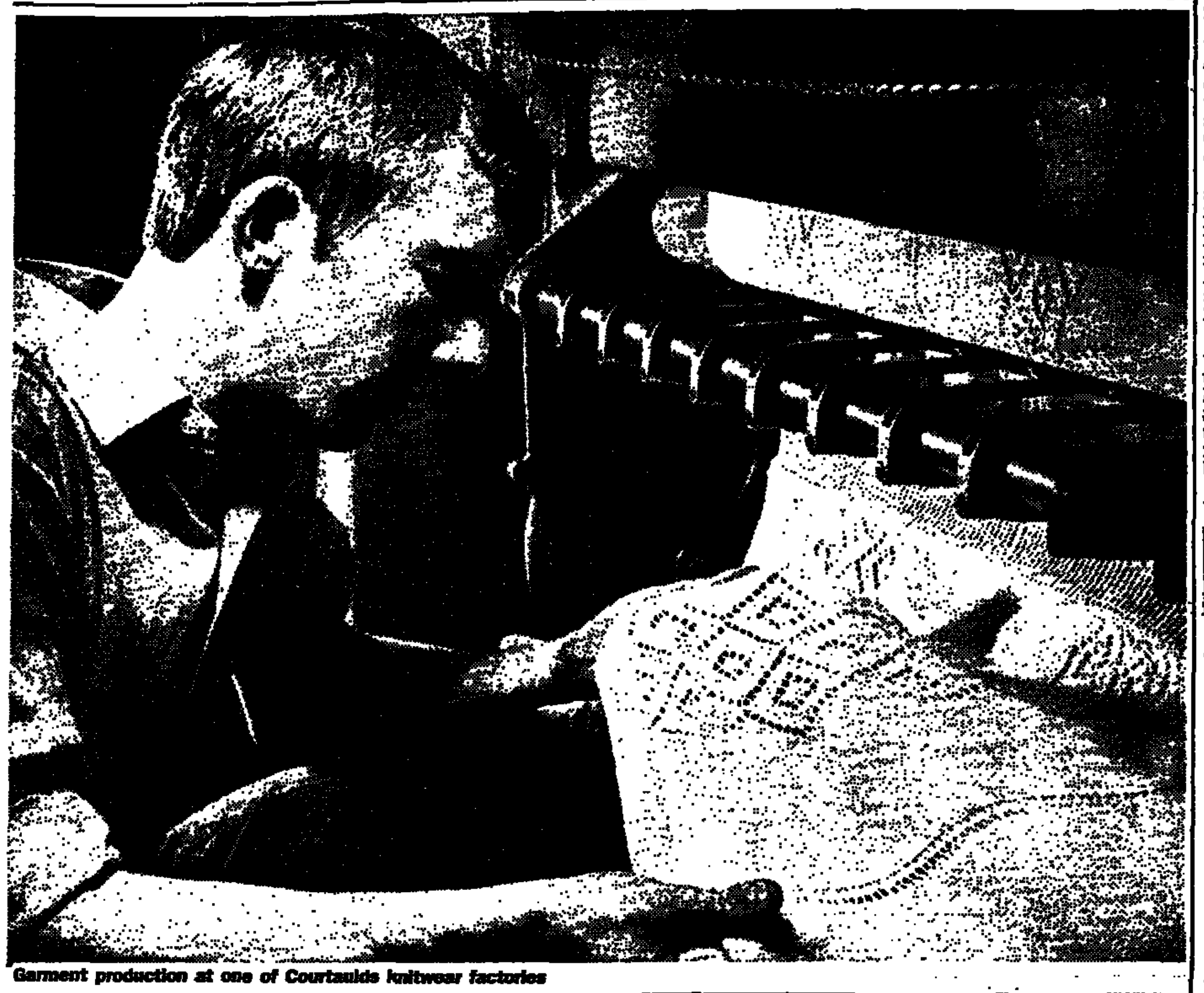
"Consumers are becoming much more discerning about quality, design and service. The carpet industry finally has an opportunity to move upmarket," says Mr McAdam of Coats.

Whether the industry is capable of seizing this opportunity remains to be seen. Over the next year or so it should become evident whether Britain's carpet manufacturers really have succeeded in overcoming their past problems.

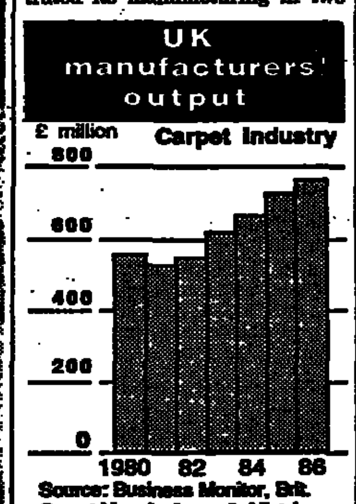
Alice Rawsthorn



Source: Business Monitor, Brit. Carpet Manuf. Assoc & Mintel



Garment production at one of Courtaulds knitwear factories



Source: Business Monitor, Brit. Carpet Manufs. Assoc & Mintel

A painful recovery

Continued from Page 1

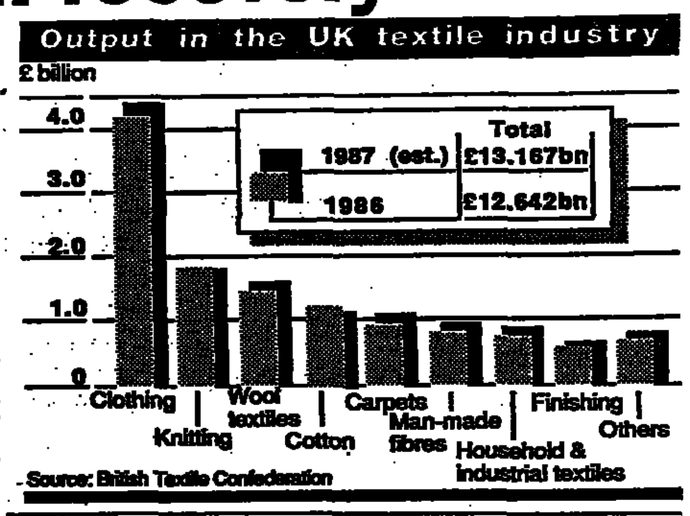
spending. At best, economic forecasters expect the pace of growth to slow down this year.

The outlook for exports is more encouraging. Last year the industry mustered a 12 per cent increase in overseas sales to £3.5bn, reflecting healthy growth in its exports within the European Community.

Although the strength of sterling is a difficulty, the successful exporters, like Dawson International, tend to concentrate on high-quality goods which are less sensitive to price increases.

Nevertheless, the late-1980s seem set to be a testing time for textile manufacturers in the UK. Yet thanks to the advances of the past few years the industry is in stronger shape than ever before to withstand it.

Alice Rawsthorn



Source: British Textile Confederation

INTERNATIONAL APPOINTMENTS

WCRS names Australian agency managing partner

WCRS GROUP, the fast growing British-based advertising and marketing services concern, has named Mr Chris Pinnington managing partner of The Ball Partnership, the group's Sydney advertising agency. Mr Wayne Garland, the former managing partner, has become the vice chairman.

Mr Pinnington joined Wight Collins Rutherford Scott, now WCRS Mathews Marcantonio, the group's UK agency, as an account director in 1983, and was promoted to the agency board in 1985. During his five years there as a director, he has been responsible for a variety of accounts, including United Biscuits, Spillers, Sara Lee and Carling Black Label.

He was previously an associate director with D'Arcy MacManus and Masius, where he started his advertising career in 1975.

Commenting on the appointment, Mr Roger Neill, deputy chairman of WCRS Advertising, said: "Australia is the second-largest per capita advertising market in the world, after the US, and The Ball Partnership is one of Australia's top ten fastest growing agencies with capitalised billings in 1987 of A$46m – double the 1986 figure.

"The appointment of Chris Pinnington to the Ball Partnership demonstrates our commitment to the international transfer of craft skills and talent within the WCRS federation of advertising agencies."

* * *

HONGKONG AND Shanghai Banking has named Mr John R.H. Bond a director, with the title of executive director Americas. He will remain based in New York, where he has been serving as chief executive officer Americas since last year.

Mr Bond has also been appointed chairman of a newly established committee, which will oversee coordination of the business of this leading Hong Kong bank and of Marine Midland Banks, its wholly-owned subsidiary, in the Americas.

Mr Geoffrey Thompson, president of Marine since 1986 and who now has also been appointed its chief executive officer, and Mr Richard Keller, who became an executive director of Marine yesterday, will also be members of the new committee.

After joining Hongkong and Shanghai Banking in 1961, Mr Bond served in Hong Kong, Thailand, Singapore, Indonesia and the US. He was made chief executive officer of the bank's Wardley group in 1983.

Chairman for Brierley Investments subsidiary

BY DAI HAYWARD IN WELLINGTON

BRIERLEY Investments, the main corporate vehicle of Sir Ron Brierley, the New Zealand entrepreneur, has appointed its operations manager, Mr Stuart Walbridge, as the chairman of Cable Price Downer, the engineering and construction group which is now a 100 per cent subsidiary of Brierley Investments.

Mr Walbridge, 48, replaces Mr Bill Steel, who retired on March 31. Mr Walbridge was an executive engineer with British Post Office Telecommunications, and then a senior executive with Unilever in Britain, Ireland and West Africa.

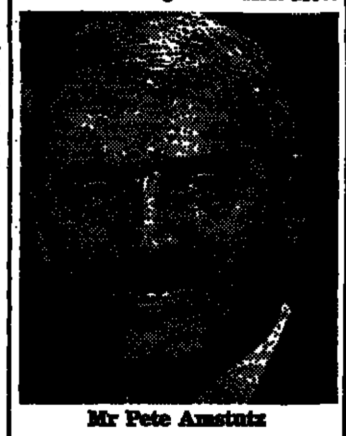
He later became acting chairman and managing director of Unilever NZ. He has been a Brierley director on the CPD board since March last year.

There have also been several other changes to the CPD board, with the retirement of four other directors. New members are: Mr H.G. Callam, deputy chairman, Mr Rick Christie, managing director Mr Bruce Hancox, Mr H.W. Huse, Mr R.S. O'Hagan and Mr H.W. Revell.

NCR fills treasury position

NCR, a major US manufacturer of computers and business machines, has named Mr Pete Amstutz assistant treasurer, Benefit Plans Financing, within NCR's Treasury Division.

Mr Amstutz, who joined NCR last month, has 19 years of experience in the securities and commercial banking industries. Most recently, he was vice president and team leader for the Continental Illinois National Bank of Chicago branch in London.



Mr Pete Amstutz

He has also worked in upper management for First National Bank of Chicago in Geneva, Frankfurt and London; and Daiwa Securities America in New York. He began his career in 1969 with Smith Barney in New York.

Allied-Signal elects new president

ALLIED-SIGNAL, the US-based worldwide advanced technology group with businesses in aerospace, automotive products and engineered materials, and with $11bn sales in 1987, has elected Mr Alan Belzer president and chief operating officer. He has also joined the board of directors.

Mr Belzer, 55, has been an executive vice president of Allied-Signal and president of its $2.8bn Engineered Materials Sector since 1983. He joined the company in 1955.

Mr Frederic M. Poses, 45, formerly president of the corporation's Fibres Division since 1986, has taken over Mr Belzer's previous post, and is expected to be elected an executive vice president of the corporation.

The replacement for Mr Poses as Fibres Division head is Mr Daniel P. Burnham, 41. He is succeeded as president of the sector's Plastics and Performance Materials Division by Mr Robert P. Viarengo, 55, who was previously vice president – planning and business development for the sector.

In making the announcement, Mr Edward L. Hennessy Jr, chairman and chief executive of Allied-Signal noted that under Mr Belzer's leadership, the Engineered Materials Sector has consistently been the most highly profitable of the company's three large operating units.

"With Alan's long experience in every phase of operating management, he is exceptionally well qualified to help us attain better balance between current earnings and our long-term investment for future growth," Mr Hennessy said.

"The appointment marks the start of a new stage in the strategic growth and development programme our company embarked upon in 1979," he added. "Over that time we have grown very rapidly, primarily through acquisitions, and in the past two years we have consolidated our operations and sharpened the focus on our core businesses. Alan and I now will work in partnership to refine our corporate strategy and maximise our operating performance."

* * *

AT THE annual meeting of Asea AB, of Sweden, part of ABB Asea Brown Boveri, the major company formed as a result of the January 1 merger of the electrotechnical businesses of Asea and BBC Brown Boveri, of Switzerland, Mr Kjell Hogfelt was elected to the Asea board of directors in succession to Mr Percy Barnevik.

Mr Hogfelt was born in 1929 and has been with Asea since 1957. He was made president of the company at the beginning of this year. Mr Barnevik is president and chief executive officer of Asea Brown Boveri.

Asea now administers its 50 per cent holding in Asea Brown Boveri, as well as its holdings in businesses not included in the merger, such as Hagglunds, ESAB and Electrolux.

Accountancy Appointments

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Cheltenham c.£30,000 + finance sector benefits

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The RoyScot Finance Group – launched in 1986 and bringing together the specialist finance subsidiaries of the Royal Bank of Scotland and Charterhouse Bank – can satisfy these high ambitions. The Group provides a focus for a number of semi-autonomous trading subsidiaries, including an Authorised Institution under the Banking Act. Principal activities include contract hire, leasing, factoring, hire purchase, instalment finance and credit card services.

Working closely with the Group Finance Director, you will be responsible for recruiting and leading a team, and performing high level business reviews across the Group's activities. With significant audit experience at a senior level (probably within the financial sector) you will possess the management skills necessary to undertake a high profile role within a demanding area.

The exceptional remuneration package includes subsidised mortgage, non-contributory pension, private health insurance, quality car and profit related bonus. If necessary relocation costs will be paid.

Please reply to Alison Hawley in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 5112/FT on both envelope and letter.

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- ◇ Core company in Plc group with new dynamic management team.
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THE POSITION

- ◇ Member of executive management team reporting to the Managing Director.
- ◇ Introduce up-to-date financial reporting and management information systems.
- ◇ Contribute to the strategic development of a successful business *in a rapidly expanding industrial conglomerate.*

QUALIFICATIONS

- ◇ Graduate, qualified accountant aged late 20's/early 30's.
- ◇ Post qualification experience in industry is essential.
- ◇ Ambitious, energetic with top management potential.

COMPENSATION

- ◇ Base plus full benefits package.
- ◇ Exceptional career prospects *into financial* and general management.

Please reply enclosing your cv quoting Reference G1229 to: 54 Jermyn Street, London SW1Y 6LZ.

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Qualified accountants

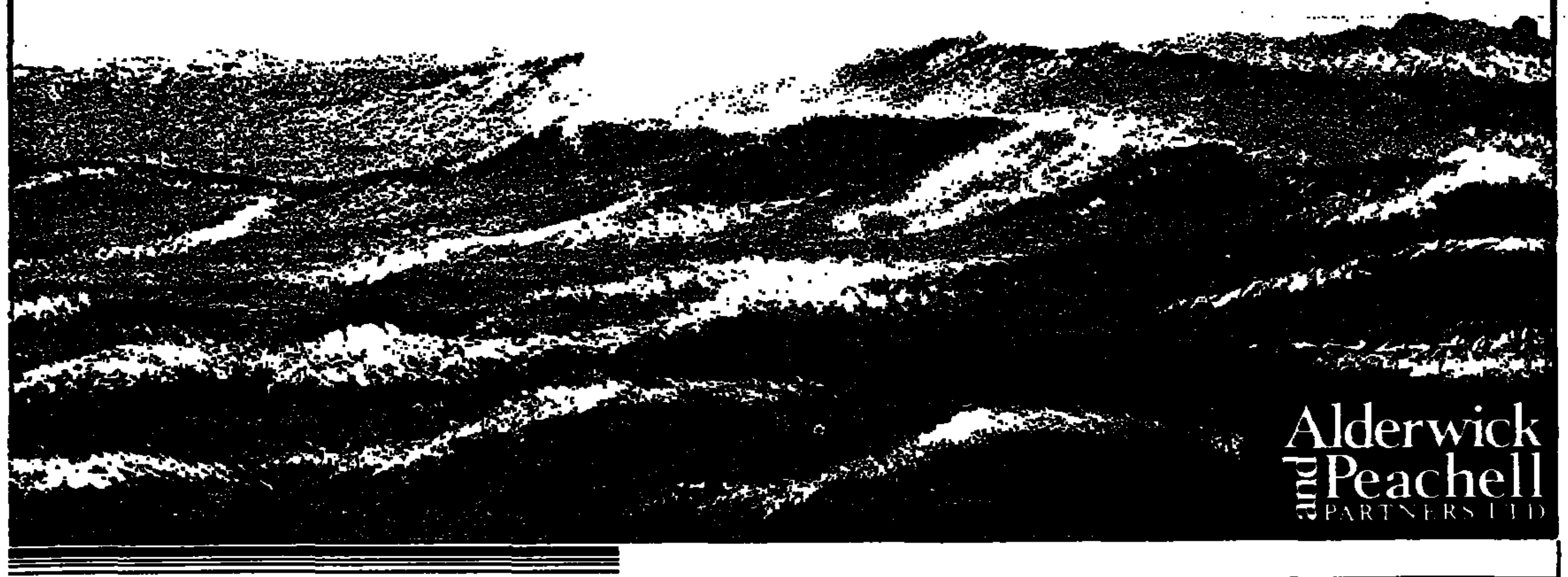
Mobil North Sea Ltd is a major exploration and producing company – part of Mobil Corporation, the world's fourth largest oil company. We've achieved this position through recognising and fully realising hidden potential – whether actively developing oil and gas reserves in the North Sea or encouraging the individuals we employ.

We are seeking a number of accountants from newly-qualified through to professionals at supervisory level with around 4 years' PQE, some of which should ideally have been gained in an oil industry environment. Based in Central London, your responsibilities will range across management/financial accounting, financial analysis, tax, MIS or joint interest ventures.

At all times you'll enjoy a high degree of visibility at senior management levels. After a period in your initial assignment you can look forward to career development moves through the full spectrum of finance and accounting activities in a multi-national oil company. This might include assignments in other areas of Mobil's activities – both in the UK and overseas.

For further information about these excellent opportunities, please contact Andrew Fisher on 01-404 3155 or write to him at: ALDERWICK PEACHELL AND PARTNERS, Accountancy and Financial Recruitment, 125 High Holborn, London WC1V 6QA.

Mobil *Hidden potential – we know how to develop it*



Experienced Accountant

Treasury Division

London to £26,800

This is an outstanding opportunity for a high-calibre, experienced accountant in the team engaged in the management and handling of British Telecom's Treasury and banking operations.

Reporting to the Deputy Treasurer, you will be responsible for providing accurate records for all financial transactions (The Treasury Division is responsible for ensuring that all cash passing through the company is handled with maximum efficiency) and for ensuring that proper accounting controls exist. Your brief will also include the preparation of the annual accounts of financing subsidiaries, control and implementation of the Treasury accounting system, including new software applications; preparation and control of the Division's budget; and appraisal of borrowing/investment proposals.

Candidates will be fully qualified and experienced accountants. It is desirable, but not essential, that they should have familiarity with the specialist requirements of treasury or banking operations.

Starting salary will be up to £26,833 depending on qualifications and experience, and in turn we offer excellent prospects for career development.

Please write with full CV to: Ann Hulbert, Management Recruitment Unit, British Telecom, 3rd Floor, Haddon House, 2-4 Fitzroy Street, London W1P 5AD.

British Telecom is an equal opportunity employer. Applications are welome from all suitably qualified individuals, irrespective of sex, racial origin or disability.

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FRESH CHALLENGES FOR YOUR SYSTEMS EXPERTISE

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By providing a quality service in a highly competitive environment, West Midlands Travel are determined to meet those challenges, so effective financial management is of crucial importance. In this newly created position in our central engineering sector you'll be responsible for evaluating a number of current financial control and costing systems with a view to establishing a new, highly efficient programme of development. You'll also provide management with pertinent financial advice and support on *the profitable running of this business.*

A qualified accountant, you'll have substantial experience in a commercial or industrial field, preferably with an engineering element. In return you can expect some very attractive rewards – the many additional benefits include an excellent pension and, if appropriate, relocation assistance.

But, most important, this is a superb opportunity to make a telling contribution to a new venture and you can be assured that your efforts will be recognised and duly rewarded.

Interested? Please write, enclosing full CV, to Lionel Green, Personnel Manager, West Midlands Travel Limited, 16 Summer Lane, Birmingham B19 3SD.

West Midlands Travel

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Financial Director

Take This Industrial Services Company To No. 1

South Bucks, c £32,500, Quality Car

Biffa Waste Services, part of BET plc, is one of the UK's leading waste management companies and is widely regarded as the most progressive and ambitious. Rapid organic growth and an aggressive acquisition programme have taken turnover to £45 million with very healthy profits. The mainstream waste collection and disposal business has recently been augmented by new UK and overseas divisions and the strategic plan is now to put the company into the position of clear market leader. Promotion within the group has created this opportunity. Reporting to the Managing Director, you will be responsible for financial management and direction of the business, together with company legal and secretarial services. Key aspects of the job include providing advice to operational directors and assisting in acquisition assessment and integration. Early priorities are re-evaluation of the structure of the finance function and refinement of the management information system. A qualified accountant, aged early 30's - mid 40's you must have achieved a senior finance position in service industry. An essential requirement is a progressive career with significant companies where first class business disciplines apply. Good analytical skills, strong commercial awareness and the ability to achieve through influence and persuasion are vital. Considerable job satisfaction and good career prospects are assured in this dynamic environment. The comprehensive benefits package includes relocation assistance if required.

S.P. Spindler, Hoggett Bowers plc, *George V Place, 4 Thames Avenue,* WINDSOR, *SL4 1QP*, 0753-850851. *Ref: W11045/FT.*

Finance Director

Consumer Durables

East Anglia, To £30,000, Bonus, Car,

The company, part of a well-known and expanding plc, designs, manufactures, and markets a range of well-known consumer durables and related assemblies. Current turnover is more than £20m, and a programme of planned expansion calls for tighter financial control mechanisms in order to maximise efficiency and minimise operational and product costs. Reporting to the Managing Director, applicants, ideally aged 28-40, must be qualified, preferably ICMA, with a strong manufacturing and systems background, who have managed the total accounting function at controller level. We are looking for candidates with experience of strategic business planning combined with first class management skills and a practical hands-on approach towards financial and manufacturing issues. Prospects within this expanding group *are excellent* and the *normal large company benefits are offered, together with* relocation assistance where necessary to this very attractive location.

M. Stein, Hoggett Bowers plc, *1/2 Hanover Street,* LONDON, *W1R 9WB*, 01-734 6852. *Ref: H17041/FT.*

Financial Controller

North East, c £25,000, Bonus, Car

An outstanding opportunity for a first class accountant to secure the senior financial position with a most progressive and rapidly expanding organisation engaged in a variety of civil engineering, extractive and land development activities. Turnover has quadrupled in the last four years and is approaching £30 million for the current financial year. The structural and business demands of such growth demand high calibre people and the requirement is for a finance professional to steer the company through further phases of expansion possibly towards a full flotation. Responsibility covers the management and development of the finance and MIS functions, the preparation and analysis of statutory and management accounts and the provision of financial input on all matters relating to budgets and strategic planning. Candidates, qualified accountants aged 30 to 40, must have senior level financial management experience, ideally industrial related and essentially including a strong involvement in computerised accounting systems. The prospects of a full directorship are both short term and realistic in this most proactive and commercially driven organisation.

K.H. Thompson, Hoggett Bowers plc, *4 Mosley Street,* NEWCASTLE-UPON-TYNE, *NE1 1DE*, 091-232 7455. *Ref: N13070/FT.*

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Hertfordshire

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COMMERCIALLY-MINDED FINANCIAL CONTROLLER, To £25,000, Car, Benefits

Reporting to the Finance Director, this post has complete responsibility for all major accounting functions and for ensuring that tight operating controls are maintained. In addition, you will be expected to develop existing computer systems to keep pace with the company's planned future expansion and play a significant management role. Aged 28-35, you will already have had accounting experience in a manufacturing environment and will have the wide-ranging experience required by this sharp-end opportunity. *Ref: B17026/FT.*

FINANCIAL PLANNING MANAGER, c £20,000, Car, Benefits

The position reports directly to the Finance Director and has a remit which includes the production and interpretation of strategic data, involvement in ad hoc business ventures including acquisitions and the development both of the company's computer modelling and integrated costing systems. The successful candidate will also be expected to make a significant contribution as a member of the management team.

Both positions require talented, self-motivated people possessing good communication skills and the scope to be involved in the decision-making process and in the future of the company. The excellent rewards package is accompanied by comprehensive relocation assistance where appropriate. *Ref: B17053/FT.*

R.J. Arnold, Hoggett Bowers plc, *13 Frederick Road, Edgbaston,* BIRMINGHAM, *B15 1JD*, 021-455 7575, *quoting the appropriate reference.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

CW

FINANCIAL DIRECTOR (DESIGNATE)

Kent Coast circa £30,000 + quality car

The name Carter Wallace may not be familiar to you but its range of toiletries almost certainly will be; Arrid Extra Dry, Pearl Drops, Nair Depilatories and Discover Home Pregnancy Tests are just a few of its famous name brands. The UK company is a subsidiary of a leading US healthcare group which has experienced substantial growth in recent years.

The manufacturing facility and administrative offices are situated in a most pleasant part of South East Kent. From this base the company services its operations in the UK and export markets in Europe and the Middle East.

We are seeking a young Finance Director (designate) to assume responsibility for the accounting, financial management, data processing and company secretarial functions. Reporting to the Managing Director, the role presents a very real opportunity to contribute to the commercial and strategic management of the company, as a key member of the Senior Management Group.

A graduate, qualified accountant is required, with some post-qualification experience in the consumer goods sector, preferably gained in a multi-national. In personal terms, candidates should be confident but personable with demonstrable staff management ability and leadership skills.

Please write in confidence with full career details, quoting ref. C8087, to Anne Routledge.

KPMG Peat Marwick McLintock

Executive Selection & Search,
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Director–Accounting

key role in Financial Services

c£50K + substantial bonus + car + mortgage subsidy
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- A position of considerable influence in a company achieving high growth
- This is a highly visible role
- Substantial rewards are directly linked to your performance

Our client has been so successful in its chosen segment of the financial services arena, that its growth and market share have become the envy of its rivals. The combination of innovative thinking and high levels of service have created such significant expansion that we have been retained to identify an exceptional Director – whose leadership and guidance of the accounting functions will not only ensure optimum effectiveness of the internal resources and systems, but also make a major contribution to the organisation's future development.

Reporting to the Chief Executive, your responsibility will encompass traditional areas of reporting and control plus the specialist areas linking our client with the City. The attainment of future goals, and achievement of current objectives, will all be affected by your skill in maintaining and developing systems policies and procedures, and your key role in the planning process.

You are a qualified accountant who may have additional business qualifications. With around ten years spent in your profession, you have held a responsible position in the financial services sector and have been exposed to international financial markets. In demanding environments, your managerial and communication skills have brought the best out of your teams.

For further information and a Personal History Form, write or telephone (24 hours) quoting Ref. 2275/FT.

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CJRA

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CITY £20,000 PLUS EXCELLENT BANKING BENEFITS
INVESTMENT BANKING ARM OF MAJOR INTERNATIONAL BANK

We invite applications from newly or recently qualified accountants. Any experience in the banking sector and use of personal computers will be an advantage. The selected candidate will work as part of a closely knit team, involved in all aspects of management, regulatory and statutory reporting and associated systems development and other ad hoc projects. Essential qualities are the ability to grasp new concepts, plus initiative, self-motivation and strong communication skills. Benefits include preferential mortgage subsidy, non-contributory pension and interest free season ticket loan. Applications in strict confidence, under reference IB20918/FT, will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

Group Accountant

Maidenhead, Berks. £25,000 + Car + Bens.

Our client, BPCC plc, is Europe's largest printing organisation with an impressive growth record which has contributed significantly to British economic and business development. The Specialist Packaging and Labelling Group, with a turnover of £50 million, employs 1,250, and is strongly committed to its policy of continued investment in technology innovation and product improvements.

They are now looking to recruit an ambitious accountant to support the Divisional Finance Director.

Duties will include:
- Reviewing accounting procedures and management information systems for the six operating companies
- Providing advice and support to the operating companies
- Reviewing all management information and summarising for presentation to Corporate Management
- Preparation of budgets, management and statutory accounts
- Company Secretarial and Group Administration duties.

The successful candidate will be a qualified accountant aged 27-35 with considerable commercial/manufacturing experience. Strong personal presence, commercial awareness and good communication skills are essential qualities.

In return, the company offers an excellent remuneration package with good prospects for advancement within this dynamic environment.

Interested candidates should write enclosing a comprehensive c.v. to Stephen Doyle ACA at Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor SL4 1BG quoting reference SV1064.

BPCC is a member of the Maxwell Communications Corp.

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RECENTLY QUALIFIED ACCOUNTANT

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Aged 24-30 £25,000 + Car + Exceptional Benefits

This highly successful Covent Garden based design and communications company is widely regarded as being one of the "rising stars" on the USM. Their consistent record of achievement and profitable growth, together with ambitious development plans, will facilitate a full listing within 18 months.

As a result, they are seeking a Financial Controller to lead them through this exciting phase and beyond. Reporting directly to the Managing Director, you will act as a key player in strategic business development and assume a diverse range of responsibilities:

- ☐ Short and long term forward planning
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If you are not afraid to work at the sharp end and stand by your own decisions, this is a unique opportunity to rapidly become involved in all aspects of the organisation's financial and business affairs.

Career prospects within this progressive environment are outstanding. Benefits include an executive car, together with stock option, private health and life assurance schemes.

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An Equal Opportunities Employer welcoming applications from all sections of the community.

PRINCIPAL ACCOUNTANT (COMPETITION SUPPORT)
up to £18,000 per annum

A new competition support group has been established within the County Treasurer's Department comprising four qualified accountants and an accounting technician to deal with the financial aspects of preparing the Authority for competitive tendering.

The Department is looking to appoint an ambitious qualified accountant (CCAB), with recent experience of working within commercial organisations preferably in the trading or service sector, to head the Competition Support Group and play a key role in assisting the Authority in preparing to meet the challenge of competition.

The postholder will be responsible for the provision and development of an effective financial service to those areas subject to competitive tendering and the effective day to day management of the Group.

A successful track record of recent financial advice and management within the commercial sector is essential. Candidates will also need to demonstrate that they have drive and enthusiasm and the ability to communicate effectively both orally and in writing, to instigate and develop new approaches and initiatives, to deal with complex issues and to effectively motivate and manage a group of professionals.

For an informal discussion on the post, contact Bill Brown, Assistant County Treasurer, on (0772) 264707.

Application forms and further information can be obtained from the Personnel Section, County Treasurer's Department, PO Box 100, County Hall, Preston, PR1 0LD. Tel: Preston (0772) 264776.

Closing date: Monday 16th May, 1988

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SURREY/HAMPSHIRE BORDERS
£25,000 + CAR

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Financial Controller

CITY OF LONDON c£35,000 + Car
full benefits package

Our client, a highly successful plc, designs, manufactures and markets high quality womens fashion wear in the United Kingdom and abroad. The Company has created its own distinctive look and has enjoyed substantial expansion during the last five years.

The Directors now wish to strengthen the overall financial management team by appointing a Financial Controller who will be totally responsible for the smooth running of the accounting function, reporting to the Board.

The successful candidate will be a qualified accountant, aged in his/her mid 30's, who can demonstrate excellent financial control and managerial expertise gained in a fast moving, sales orientated environment.

Please send a full C.V. with hand-written covering letter to Mr. R. N. Collier quoting reference: J527.

MOORES & ROWLAND
Cliffords Inn
Fetter Lane, London EC4A 1AS
MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED

Financial Controller

(FINANCE DIRECTOR DESIGNATE)

HERTFORDSHIRE Circa £27,000 + Car + benefits

Our client is a newly formed Public Company involved in the development of high quality sheltered housing and also the provision of specialised construction services.

The Company has been trading for twelve months and enjoyed rapid expansion. In accordance with their business plan, they now wish to appoint a young qualified accountant to take up the position of Financial Controller. This exciting position will involve total responsibility for all the financial activities of the business.

This is an ideal opportunity to gain first hand managerial experience within a well run go-ahead organisation.

Candidates for this appointment, unlikely to be aged under 25 will have a minimum of two year's commercial/industrial experience since qualifying.

Please send full CV with hand-written covering letter to Mr. R. N. Collier quoting reference S268.

MOORES & ROWLAND
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Fetter Lane, London EC4A 1AS
MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED

International IB *Banking*

COMPLIANCE OFFICER

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SALARY: to £35,000 + usual bank benefits

For further details, either call Frank Hoy or, alternatively, forward a curriculum vitae.

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We are currently handling an assignment from a 1st class European Bank offering an opportunity with excellent career prospects to a newly/recently qualified ACA. This is a wide ranging and highly visible role and candidates offering experience of bank audits will be especially appreciated. A particularly full range of banking benefits available to the successful candidate.

SALARY: c £20,000

For further details, either call Maggie Griffiths or, alternatively, forward a curriculum vitae.

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Gordon Brown

NATIONAL ASSOCIATION OF CITIZENS ADVICE BUREAUX

DIRECTOR OF FINANCE & SUPPORT SERVICES

Salary range £21,500 - £28,400

Expansion within our Financial Division, means we can now offer the following challenging opportunity to join the country's leading advice and information giving organisation, with an annual budget in excess of £8m.

Reporting to the Director of the Association, you will be responsible for planning and implementing financial strategies necessary for the effective financial management of the Association's resources.

As the successful candidate, you will have responsibility for developing systems to secure additional funding for much needed work, involving liaison with senior executives within the private and public sectors. You will also act as Company Secretary and have responsibility for administration services.

You should be a qualified accountant with appropriate management experience in either the private or public sectors.

We offer competitive employment terms including a contributory pension scheme and generous holiday provisions.

For further details and application forms please contact:

Susan Speller
Personnel Department
NACAB
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Tel: 01 833 2181 (ext. 266)

Citizens Advice Bureau

All applicant are considered on the basis of suitability for the post, regardless of sex, race, marital status or disability.

FINANCIAL CONTROLLER

Thames Valley c. £28,000 + car

Our client, a trade association, provides a variety of services to member companies with particular emphasis being placed on research, marketing and administrative affairs.

A financial controller is required who, with the support of a small accounts team, will assume responsibility for all financial management and for increasing commercial awareness within the Association. Key responsibilities will be ensuring the adequacy of financial controls in coping with current and future requirements, the further enhancement and interpretation of management information and making strategic contributions to business plans and their execution.

Candidates will be mature qualified accountants with sound technical skills and a proven track record of successful financial management, ideally in a service related industry. Personality is also very important. The role will require someone with excellent communication skills and a positive self assured and flexible style is essential. A willingness to adopt a "hands on" approach whilst at the same time contributing to the commercial management of the Association is necessary.

Please write in confidence, enclosing full career details, quoting reference B8494 to Mike Smith.

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FINANCIAL SERVICES

investigative roles with the sector leader

Central London to £30,000 + mortgage etc

Our client is one of the UK's largest and most influential financial services groups. Reorganisation of its long established businesses together with numerous acquisitions and new ventures have enabled it to consolidate its dominant position in this highly competitive sector.

The diversity and changing nature of the group's activities continue to create extensive career opportunities for young accountants. Several are now sought for a high profile corporate team which undertakes a wide range of projects reviewing and appraising the group's activities, controls and information systems.

These investigative roles will provide constant challenge, exposure at all levels and an invaluable insight into the group's many activities. They are well proven stepping stones for rapid progress at group or subsidiary level.

Applicants should be aged under 30 and be computer literate with audit and/or investigation experience. Specific responsibilities and associated competitive remuneration packages will be geared to make these positions of equal attraction to those who have qualified at any time in the last five years.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/714/RF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT

Manager - Finance
FINANCIAL SERVICES

£25,000 + Car + Benefits **CENTRAL LONDON**

This Company, backed by substantial British institutional shareholders, is established as a major force in the development and funding of mortgage products in the U.K. Market. Having grown rapidly in recent months, priority is now being given to the recruitment of an additional Finance Professional to play an integral part in future development.

Reporting directly to the Controller, you will be responsible for the implementation of integrated financial accounting and information systems, ensuring that the business is monitored and accurately reported at all times. Other duties will include preparation of financial accounts, liaison with administrators, budgeting and input to business planning. The role will involve close liaison with the Treasury and Company Secretarial functions and thus offers a complete overview of Financial Management.

Candidates will be graduate chartered accountants, aged 25-30, able to demonstrate high levels of technical and inter-personal skills. They should also have sound PC based systems experience, and be able to function as a team player whilst demonstrating strong self-motivation and initiative. Confidence, flexibility, leadership, flair and an entrepreneurial spirit are essential to meet the continuing challenge this role offers. The company expects candidates to be capable of promotion to Controller within two years.

For further information, please telephone or write, enclosing full career details to Alex Steele, Firth Ross Martin Associates, Wardgate House, 59a London Wall, London EC2M 5TP. Telephone: 01-628 2441.

Firth Ross Martin

FIRTH ROSS MARTIN ASSOCIATES LTD.

HEAD OF OPERATIONS AND FINANCE

City circa £35,000 + car + bank benefits

Our client is a well respected overseas bank which is planning to open a UK branch in October 1988. This operation will provide the full range of investment and commercial banking services to the UK market. As part of its team building programme it wishes to appoint a Head of Operations and Finance to exercise full administrative and financial control over all areas of the branch activities.

Reporting to the General Manager, the successful candidate will be responsible for developing risk management and dealing systems, financial planning and reporting procedures, and compliance and management information systems.

Candidates should be qualified accountants with substantial experience gained in a progressive banking environment. They should be familiar with the regulatory framework, MIS, treasury and capital market products, and be able to demonstrate a successful track record in financial control.

This is a challenging high profile appointment which will provide scope for career growth and carry with it a flexible salary and full banking benefits including a subsidised mortgage.

Please write in confidence, enclosing a full cv including current salary and quoting reference P1279, to Paul Carvosso.

KPMG Peat Marwick McLintock

Executive Selection & Search,
9 Creed Lane, London, EC4V 5BR.

SENIOR MANAGEMENT ACCOUNTANTS

c17K - 20K + Fully Expensed Car & Company Benefits,

Relocation expenses if appropriate

Our client is a World Leader in its field. The UK operation of this prestigious Blue Chip Company has a turnover in excess of £150m, with an outstanding growth potential.

Currently there are openings for ambitious Management-Accountants in two major divisions located in Central Berkshire. Each candidate should be fully qualified with the ability to demonstrate a high degree of computer literacy.

The position will report directly to the Controller and work closely with each Divisional Director. You will also liaise extensively with the Branch and Area Managers.

The roles are challenging and demanding, requiring first-class inter-personal skills together with an excellent commercial and industrial awareness. The successful candidates will be required to ensure the quality and integrity of all aspects of accounting and to contribute actively to business development.

The prime responsibilities will include: Operational Planning, Business Control, Budgetting and Systems Development. Experience of Multi-Site or Construction based industry would be an advantage.

If you wish to become part of a dynamic team and can meet our Client's very high standards, please apply to Clive Pugh or Doreen Chatterton enclosing your personal Curriculum Vitae; or telephone: Wokingham (0734) 774200.

All applications will be treated in complete confidence.

ASL

Recruitment Consultants

Accountancy Staff Ltd,
35 Broad St,
Wokingham
Berks. RG11 1AU

ABACUS

COMMERCIAL CERTIFIED/ MANAGEMENT ACCOUNTANT TO £25,000

Splendid opportunity for a qualified person to gain live commercial accounting experience with a top London Chartered Firm. The successful candidate must be PC-Literate and innovative to aid systems improvement and development.

Contact Mr D. Green at ABACUS (Recruitment Consultants on 930 1475)

Financial Recruitment

01-930 1475

11 CHARING CROSS RD, LONDON WC2H 0EP

APPOINTMENTS ADVERTISING

For Further Information
Call 01-248 8000

Tessa Taylor
ext 3351

Deirdre Venables
ext 4177

Patrick Williams
ext 3694

Elizabeth Rowan
ext 3456

Paul Maravigila
ext 4676

EPSON
Financial Accountant

£24,000 + car + bonus

Our client Epson (UK) Ltd, a subsidiary of the Seiko Epson Corporation, is a leading manufacturer and supplier of micro computers and peripherals.

Due to exceptional growth they now require a young accountant to take total responsibility for the financial accounting function. Managing a team of nine staff, duties will include reviewing procedures and accounting practices, continuing implementation of computerised systems, improving and updating foreign exchange management, cash collection and short term funds forecasting, and developing and training staff.

The successful candidate will be a qualified accountant (ACA, ACMA, ACCA) with 2-3 years' post qualification experience gained in a commercial environment. The proven ability to manage change and the possession of good communication skills are essential for this position. Our client is currently based in Wembley, but relocating close to M25 between M1 and M4 by 1989.

Interested candidates should write enclosing a full CV to Stephen Doyle ACA at Kingsbury House, 6 Sheet Street, Windsor SL4 1BG. Quoting Ref. SV 1065.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Glasgow & Worldwide

MANAGEMENT ACCOUNTANT

Leading firm of Solicitors

City c£24,000 + benefits

Our client is one of the City's major practices with a long established reputation and international presence.

It seeks a commercially experienced qualified accountant, aged mid to late twenties, for its management accounting department. The successful candidate must be able to make an immediate contribution to management reporting and the further development of computerised systems. Experience of PCs and good communication skills are therefore essential.

The dynamic environment and the success and growth of the firm will ensure that future opportunities will be forthcoming and that the position will provide excellent experience and challenge.

Please write with full career details or telephone David Tod BSc FCA on 01-405 3499 quoting reference D/710/RF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA

LLOYD MANAGEMENT

SUCCESSFUL JOB SEARCH

ARE YOU A SENIOR EXECUTIVE SEEKING A NEW FINANCIAL APPOINTMENT?

We are the professionals who can advise and help you. *Since 1980,* Connaught's executive clients have accessed unadvertised vacancies, obtained interviews, found the right jobs and reduced job search time.

Contact us for an exploratory meeting. It is without charge and we will tell you if we can help and at what cost; it may be easier than you think. *Expats enquire about our special service.*

London: 32 Savile Row, London W1X 1AG. Tel: 01-734 3879 (24 hours).
Bristol: Maggs House, 78 Queens Road, Clifton BS8 1QX. Tel: 0272-226933.

Connaught

AVAILABLE PER JUNE 1988

Financial Manager/Controller

International group preferred
- Dutch national, age 40, experienced in UK & US reporting, prepared to travel.

Replies A0842, Financial Times, 10 Cannon Street, London EC4P 4BY

Divisional Accountant

A chance to plan for the future – yours and ours
c.£25K + bonus + car + benefits

Flair, imagination, and a breadth of vision. Not, sadly, the usual qualities asked of an Accountant, but this is no usual accounting position.

We're looking for someone with special talents to head up the finance team at our Electron Tubes Division in Paignton.

Special, because not only will your skills help complement our technical expertise, but also because you'll become a key part of our Divisional Management team, involved in Group management at a senior level.

Very much a proactive role, this will involve you in managing a small team to maximise and ensure the efficient utilisation of our resources to produce the most advanced technology in the most cost-effective way.

Naturally you will need sound relevant experience in a manufacturing environment, and should be a graduate with ACMA qualifications.

As well as a highly competitive salary we offer an excellent range of benefits, including a Company car. Of course, with such high profile exposure, your career prospects will be excellent.

Austin Knight Selection have been retained to advise on this appointment. Please telephone our Consultant Peter McMahon (0272) 221891 (office hours) or (0452) 856017 (evenings/weekends). Alternatively write to him quoting Ref S/336 at Austin Knight Selection, Kings House, Bond Street, Bristol BS1 3AE.

STC DEFENCE SYSTEMS

ELECTRON TUBES DIVISION

STC

THE CROW
AND THE PITCHER FABLE 47

A CROW, ready to die with thirst, flew with joy to a Pitcher, which he saw at a distance. But when he came up to it, he found the water so low that with all his stooping and straining he was unable to reach it. Thereupon he tried to break the Pitcher; then to overturn it; but his strength was not sufficient to do either. At last, seeing some small pebbles at hand, he dropped a great many of them, one by one, into the Pitcher, and so raised the water to the brim, and quenched his thirst.

Skill and Patience will succeed where Force fails. Reason is the Mother of Invention.

ACCOUNTANTS/ECONOMISTS/MBAs to £40,000 + CAR

Reaching the top through business problem solving.

Aesop's fable, 'The Crow and the Pitcher', is a good illustration of how inventiveness can overcome adversity.

At Touche Ross Management Consultants we thrive on the addictive qualities of business problem solving, challenge and achievement: it is an informal environment where young *professionals are encouraged to fulfil their* potential whilst craning their necks towards the top of their speciality.

In both the private and public sectors we have earned an enviable reputation for technical excellence and performance over a wide, prestigious client base; a reputation we wish to enhance by bringing aboard a further complement of intellectually alert problem solvers.

As a management consultant with Touche *Ross you will be called upon to tackle a range of* project work emanating from small companies to multinationals, nationalised industries and government departments. For example, you could be assigned to a team advising on a major organisation study, a management information system, or a profitability review for a bank, venture capital company, or newspaper publisher. The variety here is genuinely wide and challenging, as will be your opportunities.

To achieve success you will need to be a natural innovator, a born communicator and a *quick learner. On the other hand, you must also* be practical, logical and a good listener. All-in-all it takes commitment and courage and often involves pitching in at the deep end; but the rewards are high, both financially and in the context of job satisfaction. Salaries are in a broad range £25-40,000 plus a car, and partnership is achievable within 3-4 years.

Our educational requirements are a good first degree and preferably an MBA or appropriate accounting qualification. So, if you're *aged 25-35 and you've a lot to crow about,* please send a full cv, to: Michael Hurton, (Ref 2916), Touche Ross Management Consultants, Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Touche Ross
Management Consultants

FINANCIAL CONTROLLER

F.D. Designate for expanding Retail Group

Central London £25,000 + car and profit share

An exciting opportunity for a high calibre Chartered Accountant to join a successful group, which includes a leading antiquarian book retailer.

Based in Piccadilly with other London outlets, our client now seeks a procative individual with the ability to maintain sound group financial controls involving the management of a small accounts team.

Aged between 28 and 45 you should have the drive and strength of character necessary to influence at board level. These attributes, combined with proven administrative and technical skills and experience of computerised accounting systems, will make you the ideal candidate. In addition to the excellent salary package, benefits include pension and private health schemes.

Please apply in writing enclosing a full C.V. to Alison Mitchell, Saffrey Champness Consultancy Services Limited, Fairfax House, Fulwood Place, London WC1V 6UB

GROUP FINANCIAL ACCOUNTANT

c £20,000 Central London

Following a continuing programme of expansion and acquisitions a successful quoted engineering group requires a Group Financial Accountant at its Head Office to strengthen its finance team.

The Group Financial Accountant will be responsible for the consolidation of the Group's result, taxation, central accounting, together with a wide range of other tasks.

Candidates age 24-30 years should be qualified with sound financial accounting experience gained either in the profession or in the Head Office of an industrial group.

Please reply with full CV to:

The Group Finance Director, Box A0841, Financial Times, 10 Cannon Street, London EC4P 4BY

SET YOUR SIGHTS

Accountancy in the City To £35k + car

Eagle Star – part of the B.A.T. Industries Group and a major player in the world of international financial services. A company with a clear vision of its future, and the resources, expertise and sheer determination to achieve its business goals.

Over recent years we have not only built steadily on our traditional business areas, but we have also moved strongly into new spheres of financial services.

Naturally, with that growth comes new avenues of career opportunity within the Group. Currently, for example, we are seeking two *experienced, high calibre* Accountants to take up the following senior financial roles in our London Headquarters.

Taxation Accountant c.£35k + car

This is essentially a corporate role, in which you will help to control the Group's taxation position.

Reporting to the Deputy Chief Accountant and Tax Controller, and heading a small team, you will principally be responsible for negotiating the Group's taxation liabilities with the relevant authorities, and for ensuring compliance with VAT and PAYE regulations.

In addition you will also oversee all taxation computations and will have a major input into taxation planning with regard to new business ventures and operations.

Our need is for an ambitious, qualified Accountant who can combine substantial accounting experience with a thorough specialist knowledge of general taxation legislation and PAYE regulations.

If you are also a member of the Institute of Taxation and have some experience of taxation within insurance companies, so much the better.

Chief Accountant c.£30k + car

Mindful of the need for ever more varied and sophisticated financial management information, we have created a brand new post within one of our Group Companies, Eagle Star Investment Managers Limited.

As Chief Accountant, leading a 50-strong team, your key task will be to take the lead in developing new Management Accounting systems, whilst at the same time ensuring that existing systems (which include client investment and corporate management accounts) continue to run smoothly.

This excellent opportunity calls for a qualified Accountant, probably chartered, who has a proven record in the development of management accounting systems. Ideally your experience will have embraced the financial services sector, although a knowledge of the insurance market is not necessary.

To succeed you will also need a flair for man-management and the character and personal credibility so vital to the management of change.

Candidates under 30 are unlikely to have acquired the depth of experience required for either of these positions.

Both positions carry a remuneration package designed to attract the very best. As well as the salaries indicated you can look forward to subsidised mortgage facilities, a company car, a non-contributory pension scheme and generous assistance with relocation expenses.

Prospects for career development both within Eagle Star and the B.A.T. Industries Group are first class.

To apply please write with full CV or telephone for an application form to: Ms Pam Wightman, Personnel Superintendent, Personnel Department, Eagle Star Group, Eagle Star House, Bath Road, Cheltenham, Glos. GL53 7LQ. Tel: 0242 221311.

Eagle Star
INVESTMENT · INSURANCE · PENSIONS

Face the future with confidence.

International Stockbrokers

MANAGEMENT ACCOUNTING

City c£24,000 + benefits

The London Securities House of one of the world's largest banking groups seeks to strengthen its financial control team by recruiting a young Chartered Accountant.

Ideally in your mid twenties, you should have qualified with a larger practice but need not necessarily have specific experience of financial services.

Reporting to the Financial Controller you will be involved in the introduction of new systems *and gain an excellent insight into the support services of a substantial stockbroking practice.* There will be close contact with the constituent departments of the firm in the monitoring and review of budgets and results. There will also be frequent reports for regulatory bodies as well as for the holding company.

Prospects in this expanding firm are excellent – and the range of fringe benefits includes a subsidised mortgage as well as a performance related bonus.

Please write, enclosing a career/salary history and daytime telephone number, to John P. Sleigh FCCA quoting reference J/713/MF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT

FINANCIAL CONTROLLER

West Yorkshire Salary negotiable c£20K + Car + Benefits

KB Holdings Limited

Our client is a privately owned, specialist extruder of plastics and window manufacturer and retailer, which has identified the opportunity for significant growth. They are seeking a Financial Controller with strong entrepreneurial, financial and business skills to assist in the next stage of the Company's progress.

Reporting directly to the Managing Director he will be responsible for management and statutory accounting, financial planning and the provision of enhanced management information. Experience of up to date methods of Work in Progress, Stock and Production Controls are considered useful assets as is computer literacy.

Candidates, ideally aged 28-34, will probably be graduate Chartered Accountants with an authoritative, innovative and intelligent approach and who possess in-depth financial experience gained in a fast moving environment where working under pressure is normal.

Interested candidates, who match these searching requirements, should send a detailed CV, including current salary to Paul Bailey quoting reference TH27 at Spicer & Oppenheim, Executive Selection, 29 Park Place, Leeds, LS1 2ST.

SPICER & OPPENHEIM
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Regional Audit Manager

In the complex world of international banking nothing stands still for long. New products and services emerge, to keep pace with new business opportunities. Our client, as a leading U.S. commercially focussed bank, is committed to delivering innovative products and services designed to respond to changing commercial needs. Its professional commitment to its customers is reflected in its commitment to the recruitment of high quality professional staff.

Integral to its reputation for sound management and control is a fully integrated international audit function. Reporting directly to the U.S. head office, a Regional Audit Manager is required to review and control the audit of all London and European locations.

c£40,000+car

A qualified graduate Chartered Accountant (possibly M.B.A.) aged c 30 years with at least six years diverse audit experience is required. An understanding of complex financial instruments together with a sensitivity to systems applications will be essential.

The bank offers outstanding prospects for advancement together with an extremely attractive salary and benefits package.

City based

For full details of this senior position please contact Roger Tipple M.A. on 01-831 1101, or send complete career details to the address below. The strictest confidentiality is assured.

the fleet partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24 hours)

Mortgage Manager

Business Development
North West
To £25,000, Bonus, Outstanding Benefits, Car

This rapidly growing and very successful financial institution wishes to further develop its centralised mortgage lending business. A new position has been created to develop mortgage business through the banks, insurance companies and large brokers. Candidates, aged 25/40, should be of good educational standard with excellent negotiating skills. Successful experience is necessary in developing business with new services to major financial institutions. This is an unusually good opportunity to join one of the fastest growing companies offering all the benefits associated with a financial institution, including assisted mortgages and an extremely good relocation package, where necessary, to enable the right candidate to move to one of the most attractive cities in the North West.

S.A. Lievens, Ref. M13062/FT. Male or female candidates should telephone in confidence for a Personal History Form. ***061-832 3500, Hoggett Bowers plc, St. James's Court, 30 Brown Street, MANCHESTER, M2 2JF.***

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A MEMBER OF BLUE ARROW PLC

Financial Controller

North London **c£26,000 + Car**

A financial career with exceptional advancement opportunities has arisen in a technology-driven manufacturing subsidiary of a large successful multinational corporation.

As a result of internal promotion we are seeking a Financial Controller who will be responsible for the total finance and data processing function of this £8 million turnover business. Reporting directly to the General Manager, you will be expected to play an active role in strategic business planning and the overall commercial decision-making process.

You will be a qualified accountant, preferably ACMA, aged 28-32, with experience gained in a production environment. You must be dynamic, self-motivated, ambitious and have strong interpersonal skills.

Career opportunities beyond this position are extensive and will provide the right person with a sustained level of challenge and interest.

If you are interested and meet the above requirements then please send your curriculum vitae and daytime telephone number to **Jon Anderson ACMA, Executive Division, 39-41 Parker Street, London WC2B 5LH, quoting ref. 504.**

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Glasgow & Worldwide

Accountants...
...taking IT into the 90's

London **£20-£30K + Car**

Within Management Consultancy a requirement has been identified for dynamic accountants who appreciate the impact and importance of IT in the finance field.

We have at present a number of excellent opportunities for ambitious individuals within a prestigious Consultancy.

You will benefit from:

- Involvement with a wide ranging client base.
- Progressive courses covering software packages for both mainframe and mini computers, project methodologies, systems analysis and design.
- The challenge of continuous change both in terms of technological advancement and the assignment to new projects on an ongoing basis.
- Excellent career prospects in both consultancy and line finance resulting from an indepth knowledge of accounting systems and techniques; problem solving expertise; exposure to senior decision makers.

Opportunities exist for young graduate calibre accountants with a good academic background, from newly qualified to candidates with up to 5 years' post qualification experience.

You must be able to demonstrate a keen interest or have a proven track record in the specification, implementation and update of computerised systems. In addition, strong inter-personal skills and the ability to operate effectively within a multi-disciplinary team of professionals are essential.

If you meet the above requirements and can take systems into the 90's please send your curriculum vitae to Alison Hill at 39-41 Parker Street, London WC2B 5LH quoting ref. 505 or telephone her on 01-831 2000 for further discussion.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Glasgow & Worldwide

A MAJOR RETAILING OPERATION
DIVISIONAL FINANCE MANAGER

London Green Belt **£25,000 + Executive Car**

Our client, a major organisation in the retail industry, is seeking an ambitious and dedicated professional to join their young, dynamic senior management team.

Having experienced rapid growth through acquisition and instigated an aggressive marketing campaign, they are now seeking to recruit an entrepreneurial, qualified accountant from a commercial background to assume a wide range of responsibilities, including:-

- □ **Preparation of management accounts**
- □ **Budgets and forecasts**
- □ **Group reporting**
- □ **Capital expenditure appraisal/control**
- □ **MIS development**
- □ **Profitability analysis**

Reporting to the Financial Controller, you will liaise extensively with senior non-accounting personnel and control a highly motivated team of ten professionals. You should be aged 25-35, with excellent communication skills and substantial business acumen.

An outstanding range of benefits includes a highly competitive salary, executive car, BUPA, permanent health insurance, substantial staff discounts and full relocation assistance where appropriate.

Please write, enclosing a full CV, quoting Ref: A132, to **Simon Hewitt** at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone: 01-488 4114.

FINANCIAL SERVICES

Risk Control Management

Age 35-45 **£35,000+ plus benefits**

Our client is a major Plc with a wide range of financial services products sold throughout the UK. The Chief Executive wishes to appoint a chartered accountant to report directly to him at the level of Assistant General Manager.

The individual will head up a professional team running internal audit and compliance functions, ensuring that all areas of risk arising from external dealings and internal procedures throughout the Group are minimised.

You will be a mature professional with direct experience of a financial services environment seeking to take a visible managerial role with wide ranging influence throughout the Group. Reporting at the highest levels we would expect the successful candidate to use this opportunity as a stepping stone to future top line management positions. Leadership skills allied to intellect and tenacity are qualities which will bring success.

Candidates should write or telephone in the first instance to me, **Robin Witheridge**, consultant to the Group. All communication will be treated in strict confidence and your details will not go forward until you have been fully briefed and have given your consent.

Mervyn Hughes International Ltd, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Tel: 01-488 0155.

Newly qualified and looking to accelerate your career?

Internal Auditor

If you have high expectations, as a recently qualified accountant, you will be looking to join a successful forward moving company with opportunities for ambitious young professionals.

Our client is a major exploration and production subsidiary of a US international company with an extensive range of offshore oil and gas interests in the North Sea. As a result of internal promotion they seek a professional to join their internal audit function. The department is responsible for auditing all aspects of their onshore and offshore activities in the UK. This includes internal control, EDP, operational and joint interest auditing. Assistance is occasionally provided to the US Head Office audit function on overseas audits.

You will have *immediate responsibility for co-ordinating* the activities of audit teams, staff training and for providing advice to senior management.

Prospects for advancement are excellent, both within Audit and other financial areas of the company. Ambition, self-motivation, and diligence are all qualities vital to this role. You will be expected to have good interpersonal and communication skills, an ACA, ACCA or CIMA qualification and a minimum of two years' experience in accounting or auditing within the profession, industry or commerce.

A highly competitive salary is offered plus a full range of benefits *including a non-contributory pension scheme* and a generous relocation package where applicable.

Please send your CV for an application form to Andrew Goobey, Moxon Dolphin & Kerby, 178-202 Great Portland Street, London W1N 6JJ quoting reference no. 4052.

MOXON·DOLPHIN·KERBY
EXECUTIVE SEARCH & SELECTION

Group Financial Controller

(Finance Director Designate)

NW KENT

To £25,000 + Car

Our client is a leading manufacturer, wholesaler and retailer of quality commercial catering equipment. The Group provides to the catering industry the full range of products required to install and operate a commercial kitchen. This family-owned and managed company has a turnover approaching £10m and is planning significant growth in the near future.

*The Group now seeks a professionally qualified and experi*enced accountant to join the young group management team and provide a much needed financial input to the Board. Key responsibilities will include:

- *financial direction and control of the Group*
- financial reporting
- developing and monitoring management accounts
- further implementation of the computerised MIS
- *cash and treasury management*
- management of the Group accounting function
- implementation of cost control systems.

Ideally, the Group Financial Controller will be an ACCA or ACMA with senior manufacturing and retail experience, probably at subsidiary or branch level. Candidates in their 30s probably will have had sufficient experience, yet fit into the young management team. Appointment to the Board is expected for the person who makes the desired contribution.

Please write, enclosing a concise CV including day time telephone number, to Steve McBride, explaining why you feel you are right for this important position.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division,
186 City Road, London, EC1V 2NU.

Jonathan Wren

EUROPEAN REGIONAL AUDITOR ACA

c£20,000 + banking benefits

Our client, a major US financial services corporation, with its international headquarters in London and a European branch network, wishes to recruit an individual for the above vacancy.

THE CANDIDATE:
Applications are sought from candidates who match the following criteria:- Motivated graduate ACA's who have recently qualified, with strong audit skills. First class inter-personal and analytical skills are essential, as is the ability to work within a team environment. 30% European travel is envisaged.

PRINCIPLE RESPONSIBILITIES:

- Operational and financial evaluation of the organisation's functional effectiveness.
- To provide written and verbal recommendations regarding audits.
- To propose remedies to any weaknesses or shortfalls found.
- To lead and manage audits/auditors contributing to audit methodology and drafting final reports.
- To establish relationships with business managers and their functions with a view to providing advice and guidance on a wide range of issues.

Career opportunities are excellent both within audit and, in the medium term, elsewhere within the organisation.

Contact Brian Gooch on 01-588 7756 or forward a detailed curriculum vitae.

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
34 London Wall, London EC2W 5EA. Tel: 01-588 7756

FINANCE DIRECTOR

North of England c.£30,000 + Car + Attractive Benefits

Our Client deals in machine tools from three main operating bases in the West Midlands, Lancashire and Yorkshire.

A Finance Director, with a demonstrable track record of success to date, is sought to further strengthen the Board. This represents a demanding and rewarding career opportunity, which will involve the successful candidate in a company which has recently grown rapidly through acquisition.

Previous experience of company flotation would be a distinct advantage to the chosen candidate.

The Finance Director will take a close involvement in all aspects of the company's trading, commercial and strategic decisions, together with the requirement to control the finance function and monitor the overall financial performance of the business.

The selected candidate will be a dynamic young Accountant, probably in the 30 to 35 age range, with significant experience gained in a commercial environment. As a qualified Accountant, preferably FCA, you will also have good communication skills and the ability to relate to people at all levels. An attractive remuneration package, comprising share options and relocation expenses is offered.

Please apply in writing with full career and salary history details, quoting reference B/115/88 to Damaris Marron.

KPMG Peat Marwick McLintock
Executive Selection
Peat House, 45 Church Street, Birmingham B3 2DL.

Financial Controller

Housebuilding

Midlands **c£27,000 + Executive Car**

Our client is a highly respected and profitable subsidiary of a prestigious UK Group engaged in construction, housebuilding and property development. Following internal promotion they now need to appoint a Financial Controller for the Housebuilding subsidiary. The Management team is young, aggressive and professional, and the company has a remarkable growth rate which will provide excellent prospects for the high flier.

Responsibility will be for the full accounting function, but will major on future planning, business reviews, cash and profit forecasting and special projects. You will work very closely with your Managing Director who will be looking for a significant input into the commercial aspects of the company's activities.

You should be a qualified accountant, probably aged 28 to 35, with the creativity, commercial flair and strength of character to be part of this lively and highly successful team. Exposure to computerised accounting systems and knowledge of micros is essential. A background in the Construction industry would be highly desirable.

In addition to negotiable salary, the post carries an excellent benefits package including pension, car, BUPA, share options and relocation expenses.

Please telephone or write with career details, in complete confidence to Philip Withey, the client adviser, quoting ref. PJ711.

RNW Associates
Harlen House, 44 London Rd, Staines, Middlesex TW18 4HD. Tel: Staines (0784) 58317 or 63731

EXECUTIVE SEARCH AND SELECTION

Financial Controller - Banking

A unique opportunity to become a major influence in the UK operation of a *prestigious European Bank.*

This position will appeal to an experienced accountant who is currently a head of an accounting function and is ready to move up to a management role, supporting senior and general management in strategic and budgetary decision making, having ultimate responsibility for accounting principals and also development of Management Information Systems. Reporting direct to the General Manager, this is a high profile position in the London Branch.

The successful candidate will be a qualified accountant and should ideally posses several years experience as head of an accounting function in an International Bank, an awareness of the trends in usage of new financial instruments and an appreciation of the current regulatory environment.

Salary is negotiable and will reflect the importance of the position. In addition a first class benefit package, including company car, is offered as one would expect from a leading financial institution.

To apply please writ, enclosing your Curriculum Vitae, to

John Parker, Head of Personnel
Amsterdam-Rotterdam Bank N.V.
101 Moorgate, London EC2M 6SB

Amro Bank
London Branch

Group Financial Controller

Career appointment
Watford, Herts

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday April 28 1988

Lower operating costs lift Du Pont profits by 51%

BY JAMES BUCHAN IN NEW YORK

DU PONT, the biggest US chemicals producer, yesterday capped a strong recovery for the US chemicals industry with the announcement of 51 per cent increase in first-quarter earnings.

The advance came on solid but unspectacular sales growth of 12 per cent and shows the striking improvement in industry profitability, thanks to the shedding of excess capacity and lower operating costs.

Du Pont, which spans a product range from crude oil through nylon to pharmaceuticals, said first-quarter earnings were $590m or $2.45 a share against $391m or $1.62 a year earlier. Sales were $7.99bn against $7.13bn in the 1987 first quarter.

The group, based in Wilmington, Delaware, said the earnings increase came from good improvements in agricultural and industrial chemicals, coal, petroleum, polymers and fibres.

Mr Richard Heckert, chairman, said: "The solid gain in first-quarter performance reflects continued strong worldwide demand and further progress in reducing costs and improving overall efficiency."

Du Pont, which acquired the Conoco oil company in 1981, said margins on petroleum refining and marketing improved and earnings from production increased because of lower operating costs.

Agricultural and industrial chemicals were led by strong worldwide results for agricultural products and light pigments. Coal earnings doubled, reflecting increased volume and productivity gains.

Polymers benefited from increased demand in the packaging, industrial and consumer markets. Biomedical products earnings rose, with the gain coming from settlement of litigation and sales of technology.

Mr Heckert told the annual meeting that the company saw 1988 earnings exceeding last year's $1.79bn, or $7.39 a share. "Based on what we've seen so far, we have every reason to expect that our 1988 earnings will exceed last year's good showing."

PepsiCo bubbles with 52% increase

By Our New York Staff

PEPSICO'S first-quarter earnings have jumped 52 per cent as the US soft drinks market continues to show robust volume growth. The group's snack-foods and restaurant businesses also improved strongly.

The group, which is based in Purchase, New York, reported a near doubling of first-quarter net income to $113.3m or 43 cents from $58.9m or 26 cents in the 1987 quarter. Pepsi's tax rate fell modestly.

However, the company said last year's figures included a $12.8m loss from a business since sold, while the most recent quarter included a special pre-tax charge of $14.5m for reorganisation.

The adjusted growth rate is 52 per cent to give "one of PepsiCo's best growth quarters in history," according to Mr Wayne Calloway, chairman. Sales were up 13 per cent at $2.6bn.

In soft drinks, volume was up 7 per cent in the US and 5 per cent overseas, but an improvement in margins gave an earnings increase before the special charge of 33 per cent.

In snack foods, traditionally Pepsi's most profitable business, the volume growth was 4 per cent at home and 8 per cent overseas and net income rose 17 per cent. At Pepsi's restaurants, which include Kentucky Fried Chicken, sales revenues surged 21 per cent with a 31 per cent gain in earnings.

"This gives us a running start on what I'm sure will be another excellent year for PepsiCo," Mr Calloway said.

Chrysler first-quarter hit by prolonged price war

BY ANATOLE KALETSKY IN NEW YORK


Mr Lee Iacocca: Embarrassed by $18m pay for 1987

AGGRESSIVE price cutting and rebates in the US car market left first-quarter earnings flat at Chrysler, the third largest US motor manufacturer. The disappointing figures confirmed the indications from last week's General Motors results that the recent buoyancy of US car sales is proving costly for the manufacturers to sustain.

Chrysler made net profits of $183.7m or 83 cents a share in the first quarter, compared with $269.4m or $1.24 a share the year before. All the decline was due to a one-time charge to cover the costs of previously announced plant closures.

Excluding this charge, the latest quarter's earnings would have been $276.8m or $1.25 a share, about 2 per cent up on the level a year earlier.

However, Chrysler's earnings in the first quarter last year were disappointing, showing a 24 per cent fall relative to 1986 returns.

On Wall Street, the company's stock fell $⅝ to $23⅝ in active trading soon after the results announcement, while shares of the other two US motor manufacturers rose slightly in line with the market as a whole.

Mr Lee Iacocca, Chrysler's chairman – who admitted yesterday he was embarrassed by his 1987 compensation of nearly $18m – said the results had reflected a "conscious decision to go for higher market share, which generated increased marketing costs and an aggressive pricing strategy."

This policy had been successful in raising Chrysler's share of the US retail car and truck market to 14.5 per cent, compared with 13.5 per cent in the first quarter of 1987. Both figures included sales of American Motors, which Chrysler bought last year from Renault of France.

World sales increased to $7.71bn, 28 per cent higher than the $6.03bn in the first quarter of last year. However, the latter figure excluded American Motors. Compared with the last quarter of 1987, sales were up only 0.5 per cent.

Chrysler also succeeded in cutting its dealer inventories to only 64-days' supply at the end of March, compared with 77 days' supply a year ago and 102 days' supply at the end of 1987. The rundown in dealer stocks appears to have prompted Chrysler to maintain its aggressive sales strategy, and the company announced that it would increase this year's production target by 100,000.

The higher production schedules would enable Chrysler to delay until the end of the year the previously announced closure of its plant in Kenosha, Wisconsin.

USX buoyed by steel recovery

BY OUR NEW YORK STAFF

USX, America's biggest steelmaker, which is also a big oil producer, made net profits of $157m or 53 cents a share in the first quarter, on sales of $4bn. The results were not comparable with 1987 figures because of the steelworkers' strike which caused a $72m first-quarter loss.

Nevertheless, Mr David Roderick, chairman, accompanied the results announcement with an extremely upbeat statement, reflecting the strong recovery throughout the US steel business as well as the company's hopes of better results from its energy segment in the months ahead.

"The corporation expects further profit improvement in the second quarter and continued strong financial performance for the remainder of the year," he said. "We see no let-up in demand nor a softening of prices for steel products. We are finally putting to rest the image of a rust-belt industry and replacing it with an image of a highly productive, lean and profitable worldwide competitor."

In the latest quarter, the steel segment of USX had operating profits of $167m on sales of $1.4bn. Last year the steel business lost $180m on strike-affected sales of only $190m.

The energy segment, which includes Marathon Oil and Texas Oil & Gas, made operating profits of $91m on sales of $2.4bn. This compared with profits of $121m on sales of $2.3bn in the first quarter of 1987.

Diversified businesses, which include transportation and agri-chemical companies, made $97m on sales of $322m. This result iclnded a one-time gain of $43m which partially reversed big restructuring charges taken in 1986. In the year-earlier quarter diversified businesses made $8m on turnover of $324m.

Primerica hit by special items

BY OUR NEW YORK STAFF

PRIMERICA, the US financial conglomerate created by Mr Gerald Tsai from the corporate shell of the American Can business, made net profits of $55.7m or 99 cents a share in the first quarter.

This figure was down from the $69.7m or $1.20 reported last year, but the whole decline was due to non-recurring items.

Excluding one-time gains from asset disposals, Primerica's earnings in the last quarter were $45.1m or 78 cents a share, compared with $42.6m or 70 cents a year ago.

However, last year's results did not include profits from Smith Barney, Primerica's recently acquired investment banking and stockbroking subsidiary. Smith Barney contributed $14m to Primerica's pre-tax operating profits of $135m in the latest quarter.

Excluding one-time gains and Smith Barney's contribution, operating profits before tax and interest were $107.4m, compared with $90.4m in the first quarter of 1987.

Operating profits from insurance, mortgage banking and asset management increased by 39 per cent to $84.5m, while specialty retailing made $22.1m, 12 per cent higher than last year.

No comparable figures were available for Smith Barney. But Mr Tsai said corporate financing business had been strong in the last quarter, while retail brokerage had remained sluggish.

Primerica's quarterly revenues were up 28 per cent at $1.08bn, with much of the advance due to the Smith Barney acquisition.

Nortel income shows slight fall to US$57m

NORTHERN TELECOM, the world's largest supplier of digital telecommunications systems which is 52.3 per cent-owned by Canada's BCE, reported a marginal decline in first-quarter earnings to US$57.6m or 23 cents a share on revenues up 5 per cent to $1.2bn, writes David Owen in Toronto.

Net income in the corresponding period of 1987 was $60.1m or 23 cents a share. Revenues in the 1987 period totalled $1.14bn.

Mr Edmund Fitzgerald, Nortel's chairman, said the latest earnings performance "trailed our expectations because of a less favourable product mix in oursaid Canadian operations."

He said the situation "will be corrected beginning in the second quarter" and forecast improved revenue and earnings for the year as a whole.

Nova backs off from Polysar

BY ROBERT GIBBENS IN MONTREAL

NOVA, the big Canadian energy and petrochemicals group, has backed away from its C$700m (US$569m) bid to buy Ontario's Polysar Energy and Chemical after building up a voting interest of 25 per cent.

However, Mr Robert Blair, Nova chairman, said the company's jointly owned Husky Oil affiliate was still interested in buying Canterra Energy, Polysar's oil and gas subsidiary.

Mr Bernard Isautier, Polysar president, has fought for several months to ward off Nova's unwanted attentions, receiving support from Union Carbide Canada, a sizeable shareholder.

He manoeuvred so that Nova was forced to offer C$22.50 a share for the Polysar shares it does not already own, up from $16 originally.

Mr Blair said in Calgary yesterday that Nova would not raise its bid, while Mr Isautier has invited other groups to offer for Polysar assets.

Mr Blair said Nova planned to expand its western petrochemical business without including Polysar's Ontario plants, even though he had hoped to do a deal with Mr Isautier.

Analysts say Canterra is worth nearly C$2bn. Other companies such as Texaco Canada, BP Canada and Shell Canada have been looking at the unit, but Nova already has 12 per cent of the company and is likely to sell this to Husky.

Mr Blair said Nova had bought its Polysar stock for C$70m and at recent market prices it was now worth C$250m.

This summer Nova plans to start engineering on a C$2bn ethylene plant in Alberta.

Chevron advances to $653m on disposal of Angolan interests

BY OUR FINANCIAL STAFF

CHEVRON, the big US oil group, has continued the trend set by its rivals and lifted first-quarter net earnings from $361m or $1.06 a share to $653m or $1.91. Revenues rose from $6.8bn to $7.5bn.

However, this year's earnings include a $191m gain on the sale of 20 per cent of the company's 49 per cent interest in its exploration and production operations in Angola to a subsidiary of Agip, Italy's state-owned oil company.

Earnings also benefited from $20m in gains related to windfall profit tax refunds. Year-ago figures were restated for an accounting change, and include net gains of $98m resulting primarily from asset dispositions and windfall profits tax refunds.

Lower crude oil prices resulted in Chevron's US refining and marketing operations earning $134m, compared with a loss of $46m, but also meant a more than 60 per cent fall in US exploration and production earnings to $46m from $124m.

Chevron's chemical operations posted profits of $109m, more than double the $52m of the 1987 first quarter. Mr George Keller, chairman, said the company planned to expand its chemical operations.

Worldwide capital and exploratory spending, including Chevron's share of affiliates' expenditures, were $689m in the quarter, up 12 per cent from a year earlier.

Earnings also rose sharply at Shell Oil, which is now a wholly-owned subsidiary of Royal Dutch/Shell Group. Net profits leapt from $108m in the first quarter of 1987 to $1.24bn, but the latest quarter net includes a gain of $900m from an accounting change. Revenues advanced from $4.5bn to $5.05bn.

At Phillips Petroleum, first-quarter net profits were $130m or 55 cents a share against a loss of $32m in the 1987 period. Revenues rose to $2.9bn from $2.54bn.

The company attributed its earnings rebound primarily to strong demand for its chemical products. Earnings from its chemical unit increased to $193m from $95m. The company plans to increase its production of ethylene by 1.5bn pounds a year by building a plant at its Sweeney, Texas, refinery.

Earnings from its exploration and production unit increased to $215m from $118m and from its refining and marketing unit to $74m from $90m.

At Sun Company first-quarter net profits jumped to $60m or 57 cents a share from $38m or 35 cents, due principally to improved results in domestic refining and marketing operations. Revenues edged up from $2.26bn to $2.39bn.

Control Data falls to $7.7m

By Roderick Oram in New York

CONTROL DATA, the Minneapolis-based computer systems and service group, has reported a fall in earnings which indicates it is still trying to make its substantial restructuring of the past two years pay off.

Mr Robert Price, chairman, forecast that revenues and earnings would improve through the year. The latest figures "met expectations, particularly reflecting the strength of the Data Storage Products Group's performance."

First-quarter net profits fell to $4.6m, or 11 cents a share, from $6.4m, or 15 cents a year earlier. Use of tax loss carryforwards made the final net $7.7m, or 18 cents against $7.2m, or 17 cents. Revenues were $902.2m against $821.7m.

USAir slides into loss but sees improved position

BY OUR FINANCIAL STAFF

USAIR GROUP, the US airline holding company which recently acquired Piedmont Aviation and Pacific Southwest Airlines, yesterday reported an $18.8m first-quarter loss but said it returned to profitability in March.

The loss, equivalent to 43 cents a share, compared with a profit a year earlier of $23.5m or 80 cents. Revenues jumped from $465m to $1.25bn, reflecting the acquisitions.

Operating income fell to $4.1m in the latest quarter from $28.6m in 1987's first three months. This reflected operating losses at the USAir unit and Pacific Southwest.

At USAir, an increased break-even load factor resulted from a combination of yield pressures and an increase in the cost per available seat mile, due substantially to increased fuel prices. At PSA, the loss was attributed primarily to a decline in traffic.

"Although the first-quarter results are disappointing, we are already seeing yield improvements at USAir and will implement new schedule changes in May and June to improve service in the former PSA markets," the group said.

Southwest Airlines reported a slender net profit of $168,000 or 1 cent a share, against a loss last time of $9.83m or 30 cents, which included a $3.25m tax credit. Revenues of the Dallasa-based regional carrier rose from $139.8m to $178.6m.

Noranda to spend C$20m in copper mine reopening

BY ROBERT GIBBENS

NORANDA, the Canadian metals group, will spend C$20m (US$16.3m) to reopen its Gaspe copper mine at Murdochville, about 600 miles north-east of Montreal, because world copper prices have risen to around US$1 a pound.

The mine was shut down a year ago after an underground ore beltway caught fire, causing millions of dollars of damage. Copper prices then were around US 65 cents and Noranda said reopening was not justified.

Now Noranda says the mine can be economic with prices between US 80 cents and US 90 cents a pound.

● Repap Enterprises, one of Canada's fastest-growing pulp and paper companies, had a first-quarter net profit of C$18.1m or 35 cents a share, up from C$12.7m or 27 cents a year earlier on revenues of C$256m against C$230m.

Earnings would have been $2.5m higher except for the rising value of the Canadian dollar in US terms. Repap's pulp mills are in Northern British Columbia and New Brunswick and its lightweight coated paper machines in New Brunswick and Wisconsin.

A large proportion of its pulp and paper output is sold in the US. The company benefited from strong pulp and paper prices and from 100 per cent capacity operations.

Barclays wins £921m rights issue approval

BY DAVID BARCHARD IN LONDON

SHAREHOLDERS at an extraordinary general meeting yesterday approved proposals by the board of Barclays Bank, the large UK clearer, for a rights issue of £921m ($1.6bn), with 95m of the proxy votes in favour and 11m against.

The issue, which raises Barclays' total share capital to £1.2bn was described by Mr John Quinton, chairman, as the way for the bank to maintain the rapid growth of recent years and avoid a retreat from the market because of lack of capital.

"Our intention is to be a worldwide leader in the corporate market," he said. "And we need the capital to do so."

However, the board had not recommended the rights issue "out of any vain ambition to pursue size for its own sake."

A threatened institutional revolt against the issue failed to materialise with only one institutional shareholder, the Co-Operative Insurance Society, openly declaring its opposition to the issue at the meeting.

A few other institutions including Scottish Widows Insurance are believed to have voted against the issue, but most, as is customary on such occasions' remained silent.

Bank analysts expressed surprise that only 106m shares had been voted in the issue, out of a possible total of 900m.

The meeting also approved a motion to increase the ceiling for Barclays' executive share option schemes from £47m to £70.5m.

After the meeting Mr Quinton said Barclays had not been dismayed by the adverse reaction which the rights issue provoked when it had been announced. The low number of votes cast by institutional shareholders was "fairly normal.There were not more than half a dozen against us."

He also revealed that Barclays has been told by the Stock Exchange that it was not holding an official investigation into reports of a leak over the rights issue.

Barclays must now be hoping that the furore over the issue will fade.

However, the City of London will be watching to see whether investors vote with their feet and divest themselves of the extra shares that the issue has obliged them to acquire.

BTR Nylex rights to fund ACI bid

BY CHRIS SHERWELL IN SYDNEY

BTR NYLEX, the 62 per cent owned Australian subsidiary of the British BTR group, yesterday announced a A$756m (US$572.1m) rights issue to help it acquire full control of ACI International, the packaging and building products company.

The move followed a decision by the Foreign Investment Review Board to give BTR Nylex permission to acquire 100 per cent of Austrac, the ACI takeover vehicle.

BTR Nylex currently holds 14.8 per cent of Austrac. It said yesterday it would acquire for about A$355m the remaining shares and redeemable preference shares in Austrac held by entrepreneur Mr Richard Pratt's group of companies.

The additional cash from the one-for-two rights issue of 176m shares at A$4.30 will go toward reducing BTR Nylex's heavy borrowings for the ACI purchase and other recent acquisitions. The UK parent will take up its full entitlement.

Full control of ACI represents a significant boost for BTR Nylex and Mr Alan Jackson, its managing director, who is expected to bring his highly reputed management skills to bear on the company immediately.

With interests in conveyor belts, gearboxes and plastics, BTR Nylex is one of Australia's fastest-growing companies. ACI has timber, ceramics, packaging and glass operations and interests in resources, notably coal.

ACI had revenues of A$2.4bn in the year to March 1987, and net profits of A$96m. BTR Nylex's most recent figures, for the year to December, showed a profit of the same order on sales of A$1.4bn.

The BTR/Pratt bid was launched in January, when Austrac offered A$4 per share cash for each ACI share, valuing ACI at A$1.6bn. Austrac gained control of ACI in March, after raising its bid to A$4.10 a share.

The bid provoked speculation that the BTR/Pratt consortium might break up ACI if its takeover succeeded.

The suggestion was denied at the time by both Mr Jackson and Mr Pratt.

Nevertheless, BTR Nylex indicated yesterday that it planned to sell packaging businesses in Malaysia and Papua New Guinea to the Pratt group, once approval was received in the two countries.

Qantas chief adds to airline sell-off debate

BY OUR SYDNEY CORRESPONDENT

THE ENERGETIC debate over the future of Australia's two state-owned airlines escalated yesterday with fresh pressure on the Labor Government for at least partial privatisation.

A specially appointed advisory body reported to the Government that Australian Airlines, the domestic carrier, needed A$240m (US$181.6m) in fresh capital injections over the next three years.

Senator Gareth Evans, Minister of Transport and Communications, said last night he thought the Government was not in a position to pay this "very significant slice out of the budget."

He was speaking after abruptly altering the airline's status from statutory authority to incorporated company – a direct response to the advisory body's suggestion that the airline should be restructured as a commercial enterprise.

In a separate development, Mr Jim Leslie, chairman of Qantas, the country's single international carrier, spelled out the drawbacks of government ownership and publicly urged the airline's privatisation.

He told the National Press Club that Qantas was efficient and competitive in a tough world market, but found it awkward and costly to raise equity capital and lacked the flexibility to make strategic decisions on a commercial basis.

Of the now-lapsed idea of merging Qantas and Australian Airlines with the state-owned Air New Zealand, Mr Leslie said it was a daring plan which would have brought "terrific benefits" to both countries. He added he hoped it would be considered again.

Senator Evans said last night that the change in status of Australian Airlines would give it greater managerial flexibility and commercial freedom for "the kind of freed-up aviation environment that we are planning for Australia over the next few years."

Although he said the Government faced "a real problem" deciding the airline's future, it has clearly contrived for itself the choice of a partial privatisation or acquiescence in a failure to compete against its privately owned rival, Ansett Airlines.

Significantly, one key member of the advisory body was Mr Bill Kelty, the influential general secretary of the country's trade union movement. The general issue of privatisation is only due to be resolved in June, when the Labor Party holds its biennial conference in Hobart.

Brierley to sell stake in NZI

BY DAI HAYWARD IN WELLINGTON

BRIERLEY INVESTMENTS (BIL), Sir Ron Brierley's New Zealand company, is looking for a buyer for its 35 per cent holding in NZI, a leading insurance and financial services group.

Only a week ago, BIL received approval from the New Zealand Commerce Commission to move to full control of NZI. No reason has been given by BIL for now wanting to shed its stake, although since the stock market crash the company has been seeking either to sell or consolidate its holdings.

Yesterday, NZI shares were trading near the NZ$1.93 level, making the BIL stake worth NZ$540.4m (US$360.4m).

No potential buyers have been named, but BIL said it had been talking to some interested parties.

However, there are few domestic companies which could swallow such a large investment and it is likely the sale will attract overseas buyers.

Separately yesterday, Mr Paul Collins, BIL chief executive, said the company might move its headquarters offshore if the New Zealand Government persisted with the introduction of its new overseas tax legislation.

This is aimed at taxing overseas subsidiaries owned by locally based companies. It is designed to close loopholes which have helped large international groups avoid considerable tax sums.

Mr Collins said BIL would be severely hit by this new legislation as it would have to pay extra tax on all its overseas companies.

● Fletcher Challenge, which recently acquired Petrocorp, the previously government-owned energy group, expects to make a NZ$111m profit from its acquisition for the 1987-88 financial year just ended. This is 9 per cent above earlier predictions.

Petrocorp is also on line to make a NZ$150m profit in the current year.

Mr Bill Falconer, Petrocorp chief executive, confirmed yesterday that the company's operations and profit targets had exceeded earlier expectations.

Keen demand for Victoria utility trust

BY GORDON CRAMB

THE VICTORIA state government in Australia has encountered keen international demand for an unusually structured A$500m (US$378.4m) public offering through which it is indirectly privatising three key utilities and reducing its role in the local Portland aluminium smelter venture.

Stockbroker J.B. Were, which along with McIntosh Hamson Hoare Govett is underwriting the issue by the newly created Victorian Equity Trust, said in London yesterday that the roughly one-tenth portion allocated for distribution in Europe was all but spoken for.

The A$1 units carry a repurchase obligation which can be exercised after four years. This hedges against sudden and further steep retreat in the Australian stock market as a whole, while leaving room to benefit from an appreciation over that period.

A link between the exercise price and the All Ordinaries index means that, for example, even if by 1992 the market has made no progress beyond its current level of 1,443.4, the state government has undertaken to buy back the units at nearly A$1.39.

The three utilities in the trust supply electricity and gas to the state and provide water and cleansing services to its capital Melbourne.

Egyptian investment houses link

By Hoda Sarofim in Cairo

TWO OF Egypt's biggest Islamic investment houses have merged. The announcement by El Rayan Investments, largest in the sector, and Al Saad, its rival, surprised the local financial community.

The merged company, to be known as El Rayan and Saad Investment Group, will have about 200,000 depositors and more than E£2bn ($877.8m) in funds.

Full-page advertisements in the national press announcing the formation of the merged company have publicised new projects the group will engage in, including property and manufacturing ventures.

The Egyptian Government has proposed legislation to regulate the fast-growing Islamic investment sector, but is having difficulty formulating laws. Authorities are concerned about the lack of formal regulations governing these investment houses.

Mainstream bankers are sceptical about the ability of the Islamic investment sector to continue paying high returns.

First National Bank gains from rising credit demand

BY JIM JONES IN JOHANNESBURG

FIRST NATIONAL Bank, the former Barclays offshoot which is one of South Africa's two largest banks, benefited from rising credit demand in the six months to March but has had to cope with narrower lending margins as competition from other financial institutions increased.

Interim pre-tax profits rose 6.4 per cent to R148.6m ($69.1m) from R139.6m.

Total advances increased to R19bn at the end of March from R16.1bn a year before, while total assets increased to R24.1bn from end-September's R20.6bn.

Demand for loans has been particularly strong among home owners and the bank has more than doubled its mortgage lending to R2.22bn from R1.06bn a year earlier.

First National's net interest income was R454.1m in the past half-year, against R412.2m.

Mr Chris Ball, managing director, says the cost of funds has risen sharply since the end of 1987 but that lending rates, particularly on home loans, have remained flat in the face of fierce competition.

Net earnings were 122.7 cents a share against 114.2 cents and the interim dividend has been held at 35 cents.

Barclays sold its remaining South African interests at the end of 1986 and the renamed First National Bank is now effectively controlled by the Anglo American group.

George Graham on a big French insurance deal

Long-standing rivals join forces ahead of 1992

FRANCE'S INSURANCE companies are taking seriously the "challenge of 1992." The drive for size, which many French financiers see as a precondition for success in the single European Community market, is well under way.

Compagnie du Midi – the diversified financial group which includes the AGP insurance company and its recently acquired UK subsidiary, Equity and Law – and Axa – the confederation of mutual insurance companies – have long been among the most fervent advocates of the need to reach a "critical mass."

The planned merger of their insurance activities will create a group on a European scale, whose annual premium income of FFr36bn ($6.33bn) will rank second in the French insurance industry behind the state-owned Union des Assurances de Paris.

The second phase of the proposed merger, in which Axa would exchange its stake in the merged insurance subsidiary for shares in the parent Midi company, will create a financial holding company claiming total assets of FFr120bn. Its market capitalisation would be one of the largest on the Paris stock market, probably ahead of Elf Aquitaine and Air Liquide.

But Mr Bernard Pagezy, the chairman of Midi, has the look of a man who has been running so hard to escape the hounds that he has fallen gratefully into the jaws of the wolf.

His group has been under attack on the stock market ever since the October crash wiped 25 per cent off its share price in two weeks. The increasing ambitions of Assicurazioni Generali, the leading Italian insurer which has disclosed a stake of 13.6 per cent in Midi, have stepped up the pressure on Mr Pagezy.

His early defensive tactics of buying out minority shareholders in Midi subsidiaries and issuing FFr5.3bn of convertible bonds overseas did not deter Generali. The only course remaining was to find an ally.

Mr Pagezy could hardly have picked a more unlikely one than Mr Claude Bebear, the smooth and silver-haired chairman of Axa, who has built up his confederation, which also includes the listed insurers, Drouot and Presence, to rank fourth in France.

The two men clashed bitterly in the 1986 takeover battle for La Providence, the insurance company, and Mr Pagezy has frequently criticised Mr Bebear as someone who takes advantage of the freedom of the stock market to make his own raids, while remaining under the shelter of Axa's complex mutual structure and not accepting the market's discipline for himself.

Their personalities are diametrically opposed, and there are few in Paris who believe their new alliance can last long enough to see the dawn of 1992, about which both talk so much.

SWISS BANK Corporation Investment (SBCI) said in London yesterday that as a result of Midi's merger plans it had ceased to make markets in the two convertible Eurobonds it lead managed for the company earlier this month.

SBCI said it was still discussing the fate of the two 10-year issues – a 2.5 per cent Ecu330m deal and a 3 per cent £275m bond equivalent to a total of FFr5.7bn – with the issuer. They are not due for signing until May 5 and for payment until May 13.

The issues were part of Midi's plans to fend off a possible hostile bid approach. They were the subject of market controversy, diluting existing stockholders by up to 20 per cent, and appeared priced to attract early conversion.

Mr Pagezy has consistently tried to expand his company. He proposed, for example, a merger with Assurances Generales de France, the state-owned group which is the country's second largest insurer, but this was refused by the Government.

Blocked within France, Mr Pagezy then turned overseas, buying Equity and Law for £448m ($838m), as well as making smaller acquisitions in Belgium, Spain and Italy.

Axa in France is principally composed of mutual insurers, such as Mutuelle St-Christophe and Mutuelle Phoceenne, but overseas Mr Bebear has followed a similar pattern to Mr Pagezy's, with an unsuccessful bid for Royale Belge, the number two insurer in Belgium, and acquisitions in Belgium, Spain, the UK and North America.

The alliance between Axa and Midi will give them both the combined financial weight which they had sought.

For both are firmly convinced that the French insurance companies are far too small to compete against their larger West German and British rivals in a free EC market – though the market is already in many respects liberalised, with the freedom to set up shop in other EC countries already assured, and a free market in reinsurance in operation since 1964.

France as a whole still seems to be underinsured, especially in the life assurance sector, and the industry as a whole, with FFr300.7bn of premiums in 1986, has been growing faster than the national economy for the last five years. In the life sector premium income has increased two-and-a-half times since 1981 to FFr96.1bn in 1986.

In the sector of industrial risks, foreign companies have already taken a 27 per cent market share. The absence of a substantial broking sector has contributed in this area to French insurers' apparent inability to control their domestic industrial market, and still less to break into overseas markets.

In the personal insurance domain, the conventional insurance companies suffer from a heavy distribution structure with tied agents on fixed commissions. Total commissions and general expenses account for around 32 per cent of premium income.

This has accounted for the rapid advance of the mutual insurance groups, including the Mutuelles Unies which control Mr Bebear's Axa group. Their direct sales techniques – their commissions and expenses amount only to 21 per cent of premiums – have helped them sharply increase their market share, especially in the car insurance sector.

In addition, many of the mutuals have a privileged tax position, escaping both direct tax on their results and specific taxes on certain insurance policies.

Indeed, it is the tax burden of the French insurance industry which represents its main handicap in a free internal EC market. A recent report, for the French Finance Ministry on the prospects of the French banks and insurance companies in 1992, said a reform of the insurance industry's taxation was "indispensable," both to even out competition between different types of insurer in France and to make the French industry as a whole more competitive in Europe.

Considerable doubt still surrounds the detail of the Axa-Midi project. Will Generali be able to muster the one-third of the votes necessary to block the plan at a Midi shareholders' meeting? What will be the precise conditions for Axa's stake in Midi?

But the more serious question is whether this uncomfortable alliance of two very different groups, led by two very different men, will be able to turn the twin arguments of "critical mass" and "1992" into a single competitive insurer.

Klöckner to omit 1987 payout

By David Marsh in Bonn

KLOECKNER UND CO, the privately-owned West German steel trading and engineering group, is passing its dividend for 1987 following the need to make DM93m ($55.7m) in special write-offs. This is the first time that the group has not paid a dividend.

Mr Jürg Henle, the chairman and a principal shareholder, said the write-offs reflected the company's need to increase its stake to more than 40 per cent in Klöckner-Humboldt-Deutz, the diesel and agricultural machinery group hit by heavy losses, as well as assistance to Klöckner-Werke, the steelmaker.

Mr Henle said that the domestic Klöckner und Co group would turn in net profits of DM8m for last year, down from DM25.6m in 1986. Domestic group turnover was slightly higher at DM9.6bn, with world group turnover down only 1 per cent at DM10.9bn in spite of the weakness of the dollar.

Mr Henle said operating profits of the domestic group improved considerably last year but scrap iron, aluminium and industrial plant activities incurred losses.

Klöckner und Co's capital is in private hands, held largely by family foundations. It paid a dividend of DM1 a share in 1986, down from DM1.5 in 1985.

Nestlé details financial might

BY WILLIAM DULLFORCE IN ZURICH

NESTLE, THE Swiss foods group which is bidding for Rowntree of the UK, was at pains yesterday to stress the extent of the financial strength it could muster to back its bid.

Nestlé had SFr7bn ($5bn) in liquid assets, could call in more short-term assets from its subsidiaries, had SFr13bn in shareholders' equity and an annual cash-flow of SFr3bn, Mr Helmut Maucher, the managing director, told the annual meeting.

The group also held unissued participation certificates which would allow it to raise a further SFr2.7bn to SFr2.8bn, he said.

Mr Reto Domeniconi, Nestlé's financial director, commented that Rowntree's immediate rejection of the Nestlé offer was a normal reaction from a board wanting to remain independent.

But, he added, its reaction could reflect wishful thinking. The question was whether Rowntree could afford to reject Nestlé. Mr Domeniconi nevertheless thought it could take months before the deal was concluded.

Turning to other matters, Mr Domeniconi said Mr Carlo De Benedetti, the Italian entrepreneur, and Nestlé were in the process of unblocking the situation in France which is delaying the completion of the deal under which Nestlé is paying L1,600bn ($1.3bn) for Buitoni, the Italian pasta and confectionery group.

St Louis, a French foods group, had made a "phantom bid" for Buitoni's French unit in a private letter to Mr De Benedetti, indicating its readiness to pay more than Nestlé, Mr Domeniconi said. St Louis had not run the risk of having to pay a single franc but it had aroused the attention of the French Government.

Mr De Benedetti was now exploring a solution for settling matters with French minority shareholders in Buitoni. This would allow the French Government to clarify its position quickly, Mr Domeniconi said.

Mr Maucher said that the acquisitions of Rowntree and Buitoni, if completed, should not have a negative impact on Nestlé profits this year. The yield from the Swiss franc liquid assets from which payments would be made was lower than the return Nestlé could expect from the acquisitions, while restructuring would generate extra earnings.

Last year Nestlé recorded net consolidated earnings of SFr1.8bn on a SFr35.2bn turnover, improving profit margins from 4.7 per cent to 5.2 per cent.

During the first quarter of this year Nestlé maintained its sales in spite of a 10 per cent decline in the mean Swiss franc exchange rate. This amounted to a 6 per cent increase in the volume of turnover, Mr Domeniconi said.

Mr Maucher said rationalisation was proceeding according to plan within the group, which should be able to cope with some further erosion in currency values. It should not, therefore, "be assumed that 1988 will bring a decrease in earnings," he said.

Fiat executive for Ambrosiano

BY ALAN FRIEDMAN IN MILAN

A TOP executive of Italy's Fiat Group has been named deputy chairman of Nuovo Banco Ambrosiano, the Milan-based private bank. Among the leading shareholders of Ambrosiano is Gemina, a financial vehicle of which Fiat owns the biggest single stake.

Mr Francesco Paolo Mattioli was named to the Ambrosiano executive position wearing his hat as deputy chairman of Gemina, rather than in his role at Fiat, where he is in charge of group financial strategy. Apart from Mr Mattioli, there are two other Gemina representatives on the Ambrosiano board.

Gemina, which last year paid around L200bn ($160m) to acquire a 12.9 per cent stake in Ambrosiano, has now increased its holding to more than 14 per cent. Gemina is also a prominent member of a newly formed "shareholders' control syndicate," which speaks for 62.67 per cent of Ambrosiano's equity.

For the past 18 months, Mr Carlo Azeglio Ciampi, governor of the Bank of Italy, has stressed that he does not want Italian industrial concerns buying control of banks. The central bank's limit on the equity participation that industrial concerns may own in banks is 15 per cent.

Gemina, despite the fact that Fiat is its shareholder of "relative majority," is thus allowed to hold the 14 per cent Ambrosiano stake.

The Bank of Italy, meanwhile, will be watching with interest developments tomorrow in Bologna, where two opposing coalitions of shareholders, led by the De Benedetti and the Agnelli groups, will square off in a bitter fight for control of Credito Romagnolo, the wealthy private bank that is a major competitor of Nuovo Ambrosiano.

L'Oreal net profits advance 17%

BY PAUL BETTS IN PARIS

L'OREAL, THE French hair and beauty products group, reports a 17.2 per cent rise in net profits to FFr1.09bn ($191.5m) for 1987, from FFr899.8m in 1986. Sales rose by 10.8 per cent to FFr20.1bn.

Operating income rose 17.5 per cent to FFr2.03bn, and the company plans to raise its dividend by 12 per cent to FFr37 a share.

L'Oreal, whose products include Ambre Solaire sun tan creams and oils, Lancome cosmetics and Dop shampoo, is 58 per cent owned by Gesparal, a company 51 per cent controlled by Mrs Liliane Bettencourt, the daughter of the founder of L'Oreal. The outstanding 49 per cent of Gesparel is owned by Nestlé, the Swiss foods group.

L'Oreal has increased its interest in Synthelabo to 65 per cent, and intends to develop the subsidiary into an international pharmaceutical business.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Eurodollar issues cash in on slightly steadier sector

BY DOMINIQUE JACKSON

THREE short-dated Eurodollar bond issues totalling $600m finally surfaced in the Eurobond market yesterday, taking advantage of a slightly steadier tone to the sector following Wednesday's US first-quarter gross national product figures.

There is a surprisingly high level of investor interest for dollar-denominated deals with shorter maturities, notably from institutions which have been accumulating dollars recently through, for example, intervention in the currency markets.

However, few dealers were prepared for the shortness of yesterday's issues, two of which were foronly one-year maturities, in both cases linked to swap transactions.

The first one-year issue to emerge was a $200m 7⅛ per cent deal at 100⅛ for Swedish Export Credit. Lead manager Kidder Peabody Securities said the issue was priced to yield 55 basis points over the one-year US Treasury bill net of fees at launch.

The other one-year deal was a widely expected $100m issue for US household products group Procter & Gamble. The 7⅝ per cent issue, led by Goldman Sachs International, was priced at 100⅛ to give a spread of 38 basis points over one year Treasury bills.

A $300m three-year issue for General Electric Capital Corporation was also launched. Merrill Lynch led the 8¼ per cent deal which was priced at 101.20 to give a 33 basis point margin over Treasuries.

Although the names of all three borrowers were deemed attractive, dealers were divided about the two extremely short maturities. Many investors considering such a short-term investment would be inclined to put funds on deposit. One-year Eurodollar deposit rates in London firmed marginally today to 7⅛ to 7¾ per cent.

Dealers said it was unlikely that the issuing houses would have launched the deals without first identifying clear pockets of demand.

However, some thought this was still limited and suggested that some of the paper might find its way back on to the lead managers' books. Given that the deals are so short, more akin to money market instruments than to conventional Eurobonds, this is unlikely to worry them unduly.

Syndicate managers have been protesting for some time that demand for this type of paper does exist and their claims seem to be borne out by the continued success of the two-year issue for the European Community launched by Bankers Trust earlier this month.

INTERNATIONAL BONDS

The lead manager said the Procter & Gamble deal, a name favoured by Continental retail investors, had been launched too late in the day to accurately gauge market reception. But elsewhere the bid price was locked at a discount equal to the ⅞ fees.

The SEK issue, a top-rated quasi-sovereign credit, was still fractionally within its fees. GECC, which was launched late in the day, was said to be going slowly initially and was bid just outside its 1⅜ fees at a discount of 1½.

In the equity-linked sector, Nomura led a $300m five-year warrant bond for Nissin Food Products. The coupon is indicated at 4¼ per cent.

In the secondary Eurodollar markets, trade was thin with bonds locked in a narrow range and sentiment tending to the bearish. The trend was described by one dealer as "sideways" and business as "frustrating."

Activity was similarly subdued in the Euroyen sector with retail investors sidelined and professionals engaged in light position squaring ahead of the "Golden Week" holiday. In Tokyo, the Ministry of Finance announced the terms of the May issue of Y1,000bn of new 10 year bonds.

The announcement failed to put an end to the battle of the benchmarks, with the market currently split over which Japanese government bond issue to track.

As forecast, the coupon on the issue was set at 4.6 per cent and the price at par, effectively reopening the Y1,000bn of the No 111 April bonds which are on the same terms. This gives the issue an outstanding total of Y2,000bn, the kind of superior liquidity favoured for a benchmark issue, dealers said.

However, several market players still appear to favour the No 105, 5 per cent issue and until a market consensus is reached many dealers said it was possible that both the No 105 and the No 111 could trade as twin benchmarks side by side.

In the short term, the new issues are set to be fairly volatile and could attract investors keen to make quick profits. However, dealers said both the No 105 and the 5.1 per cent No 89 issues remained popular among more cautious investors.

In West Germany, business was subdued, continuing the lacklustre trend seen so far this week.

Limited professional short-covering supported prices at lower levels following a recent bearish run. There were no new Eurobonds and the anticipated issue for Greece's public power utility was postponed again due to the adverse market conditions. Dealers were not optimistic about the deal's likely reception following intense competition in bidding for the mandate.

In Switzerland, prices eased narrowly in low volumes. Two new issues were launched.

The first was a SFr25m convertible deal for the Canadian company St Andrew Goldfields led by Banque Indosuez. The 5⅜ per cent seven-year deal was priced at par.The lead manager said it was bid at a discount of 2 against total fees of 2⅜.

Another Canadian company, First City Financial Corporation, issued a SFr100m seven-year deal, pitched at 5¼ per cent and par, led by S.G. Warburg Soditic.

Japanese firms given Canadian go-ahead

By David Owen in Toronto

THREE OF the Big Four Japanese securities firms – Nomura Securities, Nikko Securities and Daiwa Securities – have finally received Canadian government approval to establish operations in Canada.

The fourth, Yamaichi Securities, already has a Canadian subsidiary, Yamaichi International (Canada), having set up prior to the imposition of foreign ownership restrictions under a 1980 revision of the federal Bank Act. The company has branches in Toronto and Montreal, as well as a seat on the Toronto Stock Exchange.

A smaller Japanese concern, Sanyo Securities, also has a Toronto-based subsidiary.

Most foreign ownership restrictions in the securities sector were relaxed last year as part of Canada's deregulation of financial services. However, the three firms were kept waiting while Ottawa endeavoured to secure reciprocal rights for Canadian securities dealers wishing to set up in Japan.

Three Canadian firms – RBC Dominion Securities, McLeod Young Weir and Wood Gundy, each of which is now controlled by a leading bank – have representative offices in Tokyo.

The imminent arrival of the three extraordinarily well-capitalised Japanese firms has sparked fears of intensified competition in Toronto's Bay Street financial district, which has been hit hard by a decline in business since the October stock market crash.

Nomura's capital alone is more than four times that of the entire Canadian securities industry, whose regulatory capital stands at about C$2.6bn (US$2.13bn), according to Canada's Investment Dealers Association.

The Japanese firms are attempting to play down the threat. A spokesman for one said: "We don't like to have friction with the Canadian firms, so we are going to start our business gradually."

Film division helps Disney advance 36%

By Anatole Kaletsky in New York

WALT DISNEY, the US theme parks and entertainment company, has announced a 36 per cent jump in second-quarter net profits, to a record $120m or 87 cents a share.

A year ago, the company had net income from continuing operations of $88m or 64 cents.

Revenues were also a record at $775m, 10 per cent up on last year's corresponding $706m. Net profits for the half-year were $221m or $1.61 on revenues of $1.51bn.

All three of Disney's main businesses – theme parks and resorts, filmed entertainment and consumer products – put in a good performance. But the best results were achieved in the consumer products and film businesses, as Disney has continued its transformation from a specialised producer of children's films into a leading Hollywood studio.

Operating income from filmed entertainment improved by 19 per cent in the quarter to $52m, while revenues climbed 12 per cent to $281m.

Disney's core theme park business grew by 6 per cent in revenue terms to $308m. But operating profits for the quarter were virtually flat at $119.7m, compared with $119.8m last year.

Consumer products produced revenue growth of 36 per cent, to $55m.

Austrian bank to increase share capital

By Judy Dempsey in Vienna

OESTERREICHISCHE Länderbank, Austria's third largest bank, plans to increase its share capital by Sch150m ($12.7m) in the autumn. This will reduce the Government's stake in the bank from it's present 53 per cent to 51 per cent.

Länderbank's share capital amounted to Sch1.7bn in 1987 and will be raised to Sch1.85bn later this year, "assuming the markets remain stable," the bank said.

Under privatisation plans, the Government will reduce over the next few years its ownership in many of the state-owned companies and banks to a minimum of 51 per cent.

Meanwhile, Mr Gerhard Wagner, chairman, announced a 12 per cent dividend, the same as in 1986, to a recent meeting of shareholders.

Storm clouds over mortgage banks

Haig Simonian on the challenges to a specialist market in Germany

DECADES BEFORE mortgage-backed securities became such a talking point in the US, and later the Euromarkets, West Germany's mortgage banks (Hypothekenbanken) were issuing *Pfandbriefe*, a collateralised fixed-rate instrument backed by a pool of mortgage loans, of their own.

But in spite of their special role in the German financial system, enshrined in the country's 88-year-old mortgage banking law, mortgage bankers are growing worried. Last December's report from the Committee on Banking Regulations and Supervisory Practices (Cooke Committee), recommended a risk-weighting for mortgages which, German bankers say, is unfair, given the special nature of their system.

But, more important, is their concern over the European Community's plans for a common financial market from 1992. According to the Germans, draft definitions for EC-wide mortgage banking could threaten their specialised position – or even call their entire future into question.

Germany's mortgage banks have free rein to issue *Pfandbriefe*, which are barely known or understood outside Germany.

An elaborate series of checks gives *Pfandbriefe* virtually the same degree of security as German federal government bonds. Only government-appointed banks, which are forbidden to participate in such "risky" activities as foreign exchange, and which are subject to regular credit checks beyond normal supervision, can issue *Pfandbriefe*.

Moreover, the mortgages on which *Pfandbriefe* are based are recorded in a special register, supervised by a government-appointed trustee who ensures they meet the required collateral standards.

Although there is no direct link between specific mortgages and *Pfandbriefe*, aggregate bonds and collateral have to match, as do interest receipts and payments and maturities.

Furthermore, only holders of *Pfandbriefe* can gain access to the mortgage collateral in the event of a default. Other creditors have no claim on the mortgages – not that any German mortgage bank has ever failed.

Similar tight rules apply to *Kommunalobligationen* – the loans to such public sector bodies as local authorities – which is the other mainstay of mortgage banks' activities.

Only Denmark and, to a lesser extent, France have a similar system of specialised mortgage banks, where certain privileges are traded against obligations and restricted powers. The result has been to provide a stable and highly efficient system of long-term finance to both the private and public sector, based on high volumes and low costs and margins.

Only Denmark and France have a similar system of specialised banks

But Germany's mortgage banks have hardly suffered from their restrictions. At the end of 1987, *Pfandbriefe* worth DM218bn ($130.5bn) and *Kommunalobligationen* worth DM456bn were outstanding in a total domestic fixed-rate paper market worth DM1,282bn. By comparison, the volume of public bonds outstanding was DM392bn.

New issue figures are as striking. About DM11bn net new *Pfandbriefe* were issued last year and DM22bn net new *Kommunalobligationen*, against DM63bn in public bonds and just DM8.8bn in D-Mark Eurobonds.

With the exception of the two leading Bavarian banks – Bayerische Vereinsbank and Bayerische Hypotheken- und Wechselbank, which have been "grandfathered" (given legislative dispensation) – *Pfandbriefe* can be issued only by mortgage banks.

However, most are now subsidiaries of Germany's big commercial banks. Some have consolidated mortgage lending into one operation, while others retain a number of subsidiaries.

Rheinische Hypothekenbank, Commerzbank's only operation, is Germany's single biggest mortgage bank, with total assets of DM36.4bn.

However, Deutsche Bank is actually the country's biggest mortgage lender, with Frankfurter Hypothekenbank, the biggest of its three subsidiaries, having DM29.4bn in total assets last year. Dresdner Bank has four mortgage operations, the largest of which is Deutsche Hypothekenbank Frankfurt-Bremen, with total assets of DM24.7bn in 1987.

Indeed, the mortgage banks' buoyant earnings last year, stemming from a high demand for home loans at a time of historically low interest rates, came in particularly useful to their hard-pressed parents.

What then is the trouble? Difficulties with the Cooke Committee report may still be hammered out in discussions, but concern about the EC's plans are fundamental.

The free internal market will make it possible in principle for a mortgage bank from any member state to issue *Pfandbriefe* in Germany. That is fine, provided the bank and its paper fits their present very tight criteria, say the Germans.

What they fear are bonds from a bank which may pass regulatory tests in its home country, but which fall far short of the stricter German credit or collateral standards.

Discussions are still taking place in Brussels on common definitions for mortgage banks and their bonds. "If they agree on a standard as tight as in Germany, we welcome new participants in the market," says Mr Norbert Schabel, assistant director of the German Mortgage Banks' Association.

"But if the answer is some watered-down version of the present rules, then we'd prefer no common standard at all."

One idea being considered is for existing *Pfandbriefe* to trade alongside some new, less strict, EC version. But German mortgage bankers say this will just confuse investors. Meanwhile, the chances of an understanding based on the German standards look slim.

Is it just another case of Germany trying to protect a specialist market – be it beer or banking – from outsiders? More sophisticated mortgage bankers appreciate the risk of being misunderstood and emphasise investor protection instead. Others argue against changing a system which has functioned so well up to now.

But there could be worse news around the corner. According to the EC's draft, the right to issue *Pfandbriefe* may also be broadened. Potential issuers may still face restrictions on their activities, but some observers think the market could in time be opened to any form of EC bank.

Some bankers argue against changing a system that has worked so well

If so, the present distinction in Germany between mortgage banks and other financial institutions would be impossible to maintain. In time, mortgage banks which are subsidiaries of larger parents would probably find themselves being swallowed up and run just like any other department.

While some mortgage bankers insist the division will remain necessary for business reasons, the success of the two grandfathered Bavarian banks shows mortgage and commercial banking can be conducted perfectly well under one roof.

The change will certainly not come overnight, and it may be a nightmare for some. But the arrival of German banks which are even more universal than at present may not be that distant.

Norwegian construction group raises two financings

AKER NORCEM, the cement, building materials and construction group which is the largest private-sector quoted company in Norway, is raising two financings from a group of banks led by S.G. Warburg, Stephen Fidler, Our Euromarkets Correspondent, writes.

The first is a $120m five-year financing, itself split into two parts – a $45m term loan and a $75m revolving credit.

Advances will carry a margin of 20 basis points over London Interbank offered rates (Libor) for the first three years and 25 basis points after that. The revolving credit will carry a commitment commission of 10 basis points.

The other part to the financing is a £75m uncommitted acceptance facility.

Rautaruukki, the Finnish state-owned steel company, is raising a DM150m syndicated term loan through J.P. Morgan.

The loan will have a final maturity of five years, with interest payable at a margin over Libor of 10 basis points. A commitment fee of 6¼ basis points will be charged for amounts not drawn after 45 days.

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SWISS FRANC STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

YEN STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

OTHER STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

FLOATING RATE NOTES — Spread, Bid, Offer, C.dte, C.cpn, C.yld

CONVERTIBLE BONDS — Cnv. date, Cnv. price, Bid, Offer, Chg. day, Prem

[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Foseco recovers strongly with 33% rise to £35m

BY ANDREW HILL

Foseco Minsep, slimmed-down speciality chemicals and abrasives concern, announced a strong recovery in pre-tax profits in 1987, up 33 per cent to £35.2m against £26.4m in 1986.

This marks a return to the level of pre-tax profits two years ago, before problems in the US steel industry struck Foseco. However, growth was held back slightly in 1987 by adverse exchange rates which cut £300,000 from pre-tax profits and £7m from turnover.

Craelius, Foseco's mineral exploration business, was sold in October after losing £500,000 in the first nine months of the year and the company finally disposed of Gibson-Homans, North American supplier of construction materials, on April 7. Its results – operating profits of £300,000 on turnover of £38.4m – were excluded from the 1987 figures.

As a result, group turnover dropped from £539m to £515m, with metallurgical chemicals contributing some 55 per cent in sales, well over half of which came from the foundry business. Abrasives and diamond products performed well, helped by price and volume increases and higher levels of demand, particularly in the UK.

Foseco said group sales grew by 7 per cent, when adjusted for currency changes and disposals, and margins advanced towards the company's target of 10 per cent, increasing from 5.7 per cent to 7.3 per cent.

Operating profits at the metallurgical chemicals arm advanced 24 per cent to £22m (£17.8m); construction and mining chemicals increased to £8.4m (£7.9m); abrasives and diamond products made £9.1m (£6.9m).

Mr Robert Jordan, managing director, said the bulk steel industry had remained difficult. An £800,000 downturn in Foseco's steel operation in Italy meant operating profits in continental Europe were slightly reduced to £16.1m (£16.7m) on static sales of £167.5m.

Relocation affected the US construction chemicals arm adversely and operating margins for the whole division were static.

Earnings per share rose to 21.5p (14.2p) and the board recommended a final dividend of 7.1p, making 10.6p (9.2p) for the year.

The group is seeking shareholders' approval at the annual general meeting to change its name from Foseco Minsep to plain Foseco.

● comment

Recent disposals should have a number of beneficial effects for Foseco. Gearing, which dropped from 37 per cent to 12 per cent last year, will come down still further, and concentration on core strengths should enhance profits. Cautious expansion is also a possibility. However, the company is still heavily committed to industries vulnerable to recession: construction, motors and steel, for example. The group's geographical spread provides some defence and while these industries remain buoyant analysts are forecasting profits in excess of £40m, helped by a reduced interest charge. This would put the shares on a prospective p/e of about 9.5 at yesterday's closing price of 246p, up 6p. This seems fairly cheap, but although the shares are currently on a discount to the market and may be due for an upgrading following these figures, fears of an industrial downturn may well dampen investors' enthusiasm.

Property helps Nurdin increase

BY FIONA THOMPSON

PROPERTY disposals allowed Nurdin & Peacock, cash and carry retailer, to report pre-tax profits of £17.81m yesterday for the year to January 2 1988, marginally ahead of the previous year's £17.65m. Stripping out the £1.24m property contribution produces a profits figure of £16.57m.

"It was a year of heavy investment aimed at making the business more competitive for the future but affecting the profits in the short term," said Mr Michael Peacock, chairman.

He also blamed the "unhelpful weather" throughout the year and the lack of duty increase in the Budget "which hit sales and increased costs."

From its 35 branches in England and Wales, N&P sells some 70,000 product lines to customers including independent shops, caterers, hotels and pubs.

Turnover in 1987 moved ahead to £904.09m from £839.34m, of which 25 per cent was accounted for by the company's own-label range.

Overstocking prior to the Budget on the assumption of higher duty hit profits to the tune of £1.5m, said Mr Peacock – half of this due to extra interest costs, half to lost sales.

Theft was also a significant problem. "What is euphemistically called 'shrinkage' in the trade cost us about £2.6m last year," said Mr Peacock. The majority was customer theft, with some staff theft.

Capital expenditure rose to £16.7m from £12m. The central office at Raynes Park was refurbished and extended, a new central distribution warehouse at Didcot was set up, two branches were extended and a new branch at Paignton opened. A considerable investment was made in computer systems.

The tax charge was £5.98m, compared with £6.51m. Earnings per share were 12.4p, against 11.8 adjusted for a scrip issue.

A final dividend of 2.7p was recommended, making a total for the year of 4.3p, compared with 3.88p (adjusted) in 1986.

● comment

With the 34 per cent profits downturn at the interim stage, analysts marked down their full year forecasts substantially – but not far enough it seems. Most were expecting at least £17m clear of property and the shares fell 7p to close at 134p last night. Nurdin is regarded as a good quality business, probably the best managed of the cash and carry sector, but the sector itself is declining. Cash and carries are losing small retail customers faster than they are gaining catering customers, the caterers preferring to stick to the old fashioned wholesaler route. At £20m for this year the shares are on a prospective p/e of just under 10.

Next seeks approval for Chelsea house sale

By Maggie Urry

Shareholders in Next, the retail group, are being asked to approve the sale of a house in Chelsea for £380,000 by the company to Mr George Davies, chairman and chief executive, and his wife and co-director, Mrs Liz Davies. A resolution will be put to shareholders at the annual meeting on May 19.

The house, in Oakley Street, was bought in 1985 by Next for an undisclosed sum which Mr Peter Lomas, finance director, said yesterday was over £200,000. It was used by the home furnishing division to photograph room sets.

The local authority, the Royal Borough of Kensington and Chelsea, insisted that the house be returned to residential use and in February 1987 it was put on the market.

Two months later Mr and Mrs Davies, who are expecting their first child at the end of May, made an offer for the house which Next says was the highest offer received and, with the advice of estate agents John D Wood, the board accepted it.

The Next accounts, published yesterday, also give details of a £26.3m rationalisation provision made on the acquisition of the Paige, Collingwood and Weir chains, which were bought as part of the purchase of Combined English Stores.

Mr Lomas said that the provision related to stock write downs and redundancy costs. He said the provision did not include a sum for the cost of refurbishing the properties nor would there be a write-back of the provision to profits in future years.

RHP expands in West Germany

RHP Group has continued its expansion into the fire protection market with the acquisition of Vulkan of Stuttgart, West Germany.

Vulkan, maker of powder and liquid filling equipment for fire protection and chemical industries, had turnover of DM 6m in the last financial year.

Lisa Wood on General Cinema's interest in Cadbury Schweppes

The sweet battles spread further

YESTERDAY Sir Adrian Cadbury, chairman of Cadbury Schweppes, was forceful in his belief that General Cinema, the diversified US cinema chain and soft drinks bottler, should be asked to clarify its intentions towards Cadbury Schweppes, the British confectionery and soft drinks group in which it holds a 17.7 per cent stake.

Sir Adrian said General Cinema's statement this week concerning Cadbury was too ambiguous to be capable of clear interpretation. "Our shareholders have a right to ask General Cinema what its intentions really are," he said.

General Cinema provoked large-scale buying of Cadbury shares on the London Stock Exchange yesterday, pushing up the share price by 31p to 362p per share, after it declared it should no longer be considered a passive investor. The City, like Cadbury, could not decide what General Cinema was up to but it behaved as if Cadbury was in play.

General Cinema has held a stake in Cadbury for the past 18 months. But the US group, as it built up the holding, has persistently said the stake was a long-term investment.

An indication that General Cinema had changed its stance towards Cadbury came in an amendment to a filing by General Cinema with the US Securities and Exchange Commission in which the company had said it was studying several options. These included the possibility of acting alone or with partners in seeking to acquire a controlling interest in Cadbury through open-market purchases or a tender offer for Cadbury shares.

General Cinema yesterday declined to elaborate on its statement. It would only say: "We may or may not want to explore all the options. We just want the freedom to do so."

The possible re-shaping of the international confectionery business, following this week's hostile bid for Rowntree by Nestlé, the Swiss group, could be one reason why General Cinema has decided to explore its options.

It has been the accepted wisdom in the City that General Cinema, the largest independent bottler of Pepsi Cola in the US, with a market capitalisation of about one third of Cadbury, could be interested in Cadbury's soft drinks interests in the US.

There Cadbury has sought not to compete head-on with Coca-Cola and Pepsi but rather develop the adults soft drinks market with brands such as Canada Dry and Schweppes.

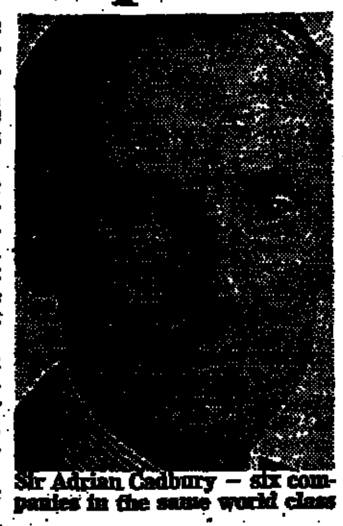
Analysts said yesterday that General Cinema could mount a bid for Cadbury and find willing buyers for its large confectionery interests.

Mr David Lang, of Henderson Crosthwaite, the stockbroker, said that the Nestlé bid for Rowntree could be fortuitous for General Cinema. Jacobs-Suchard, the Swiss confectioner with a 16 per cent stake in Rowntree, may also decide to mount a bid for Rowntree.

The failed suitor in a bid for Rowntree could join with General Cinema in a move against Cadbury, suggested Mr Lang.

Interestingly another major confectioner, Hershey, the second biggest US confectioner with its overseas presence announced this week that it could issue stock without diluting the Hershey Trust's control of the business.

A hostile bid involving Hershey was unlikely, said Mr Lang, although Cadbury's US confectionery business could fit well with that of Hershey. He said there might be anti-trust complications as Hershey's and Cadbury's US chocolate market shares combined would approach



Sir Adrian Cadbury – six companies in the same world class

44 per cent.

Wall Street analysts were sceptical over General Cinema's intentions. They said that the statutory filing was designed to stir up further stock market interest in Cadbury, which has already appreciated by 50 per cent since General Cinema announced its first stake.

Cadbury Schweppes, with its clutch of prestigious brands including Schweppes Tonic, Crunchie and Cadbury's Dairy Milk Chocolate, badly faltered in its results in 1985. However, the new management, under Mr Dominic Cadbury, its chief executive, has effectively focused on the group's two core activities, has sold off peripheral businesses and has pulled out of manufacturing in problem areas such as Canada.

It is a strategy which is starting to impress the City. For the year to January 2 1988 the group reported pre-tax profits of £276.1m, an increase of 34.7 per cent on the previous year. Earnings growth is coming organically, bolstered by heavy marketing spend. The tie-up of its UK soft drinks activities with Coca-Cola is auguring very well for the near future.

Sir Adrian said that any change in the ownership of Rowntree would undoubtedly have an impact on the world's confectionery industry. "At the moment we have six companies – Mars, Rowntree, Nestlé, Jacobs-Suchard, Hershey and Cadbury. Although they are all different in size they are all in the same world class. If you put any two of them together you will have a company that is a great deal bigger. Therefore to compete effectively some increase in size is required by the other competitors."

Certainly there are joint venture opportunities around the world for the major confectioners. Hostile takeovers by Cadbury, for example, would be difficult because of the ownership of major confectioners. For example, Swiss-owned Suchard would be immune under Swiss law, and Mars is privately owned.

Cadbury's major existing joint venture is in the UK with Coca-Cola, the world's biggest soft drinks company. Analysts have suggested that Coca-Cola could appear as a white knight should Cadbury come under attack.

It is understood that the agreement in the UK with Coca-Cola could contain some poisonous pills should a takeover be mounted for Cadbury. The standard Coca-Cola bottler agreement says that Coca-Cola has the right to terminate the agreement should a third party take a stake of 10 per cent or more in the partner. Moreover, in the US General Cinema is the largest independent bottler of Pepsi Cola.

The soft drinks agreement between Coca-Cola and Schweppes is potentially dynamic and highly profitable and its loss would have a severe impact on future earnings.

Hawtal Whiting takes a beating from dollar fall

BY PATRICK DANIEL

Hawtal Whiting Holdings, the motor industry design and engineering consultancy, yesterday reported a pre-tax loss of £1.5m for the year to end-December, against a £4.3m profit in 1986.

The company took a beating from the fall in the US dollar, adverse currency movements caused losses of £4.2m.

More than 80 per cent of Hawtal's business is with GM, the US car group, but the company has made modest progress providing structural analysis work for European and other car manufacturers.

Mr John Whitecross, chairman, said that price increases negotiated at the second half of the year could only mitigate the effect of the sharp drop in the dollar which began 1987 at $1.48 to the pound but closed the year at $1.88.

Hawtal's problems were worsened by an unforeseen 13 per cent drop in turnover to £30m (£34m). This was largely because two major projects were deferred by GM.

Losses per share were 23p, against earnings of 38.2p a year earlier. The company declared a dividend of 4p (8p) for the year.

Mr Whitecross said that payment for half of the current work being done in the UK has been renegotiated and will now be made in sterling using rates at January 1, 1987. Similar negotiations on the other half are continuing to eliminate the currency risks.

A £1m cost-reduction programme is also underway as part of an effort to achieve a turnround by the year-end. This includes pay cuts, with senior directors leading the way by taking 25 per cent less.

Mr Shawcross admitted that fast growth in the last few years had led to "a lot of fat", such as a phone bill of £300,000 a year.

The company is to sell one of its two design offices at Leamington Spa, while the other will be refinanced on a leaseback. Its Swindon office will be closed.

Hawtal's share price fell 15p to close at 185p yesterday.

Elswick bounds back into black with record £1.6m

Elswick, the cycle, engineering and packaging company, has bounced back into the black after six years of losses, with record pre-tax profits of £1.62m for the year to January 31 1988, against a £897,000 loss previously.

Mr David Cross, chief executive, said that since November 1984, when the new board had instigated a major reorganisation of the company, Elswick had made a vigorous return to firm and sustainable profitability, had created an extremely strong financial base and broadened its range of activities.

Operating profits advanced in all three divisions and contributed in equal proportions to a total of £1.9m (£104,000). Overall, turnover increased from £27.9m to £29.2m, while sales of continuing businesses were up 33.7 per cent to £26.2m.

During the past three years, the number of shareholders in Elswick has risen from about 3,000 to over 20,000. Private shareholders represent three-quarters of the value of total holdings, which is in sharp contrast to the normal proportion of private shareholders in most public companies.

Elswick is returning to the list with a proposed dividend of 0.3p per share. Undiluted earnings per share were 1.41p in contrast to a loss per share of 1.29p in 1986/7.

Brokers estimate that the company will make about £3.5m pretax profit in the current year.

Bunzl makes two more acquisitions

By Maggie Urry

Bunzl, the paper, packaging, distribution and industrial group, yesterday announced two further acquisitions and signalled that its buying spree may be coming to an end.

Mr James White, managing director, said that after 55 purchases since the beginning of 1986, costing £340m in cash, Bunzl would build on what it has, rather than buy many more businesses.

The two deals announced yesterday are both in the US and total $17.2m (£9.1m). They have combined assets of £6.5m.

DJ Wholesale, a New England-based distributor of building materials, is being acquired for £7m. Its profits are running at around $3.5m pre-tax.

The other acquisition, Gittings, Denver-based distributor of timber products, will merge with Bunzl's business there. Gittings is trading at a level little better than break-even.

About 35 per cent of Bunzl's trading profits would now come from the US on an annual basis, Mr White said. However, after the dollar interest charge, US profits would be about 25 per cent of pre-tax profits.

Bunzl also announced that the $24.4m (£13m) offer to buy Stanline, another US distribution company, announced in January had been agreed by shareholders.

Cecil Gee back in profit with £357,000

By Vanessa Houlder

Cecil Gee, the USM-quoted retailer and designer of men's clothing, made pre-tax profits of £357,000 for the year to 30 January 1988, against a loss of £1.7m the previous year, on virtually static turnover of £16.7m.

The results mark a return to profits after two years of trading losses due to the unsuccessful Gee 2 fashion store venture.

Mr Michael Gee, chairman and managing director, said profits growth this year would follow from an increase in turnover, helped by improved buying and stock control.

Interest charges were reduced from £160,000 to £32,000 with borrowings at year end standing at £70,000. The reduction in debt stemmed from the sale of 12 Gee 2 stores at the beginning of 1987.

Earnings per share of 4p compare with a loss per share of 13.6p previously. The proposed dividend is 1.25p (1p).

Downiebrae stronger

Profit before tax at Downiebrae Holdings recovered somewhat in the year to end-December 1987 from £88,000 to £143,000, after interest received up sharply at £120,000 (£14,000).

Turnover of this Glasgow-based metal merchant decreased to £1.7m (£2.16m). Earnings per 10p share came out at 1.19p (0.83p).

Reed expands its US publishing activities

BY RAYMOND SNODDY

Reed International's expansion in the US publishing market continued yesterday with an agreement to purchase Communications/Today for $41.65m (£22.27m) in cash.

Communications/Today publishes business newspapers and magazines for the home furnishing industry both retail and manufacturing. Its principal publication is Furniture/Today, the weekly newspaper of the US furniture industry.

Reed, the publishing, paper and packaging group, has long identified the publishing business as its most important core activity and has been expanding through acquisitions both in the UK and the US.

Yesterday's agreement provides for additional payments of $20m by the end of 1992 if profit forecasts are met.

Mr Peter Davis, chief executive of Reed International, said yesterday: "This is an important acquisition consistent with our aim of expanding our US publishing operations."

In the UK Reed recently paid £28m for International Thomson consumer magazines such as Family Circle and Living Magazine.

Communications/Today, a company based in North Carolina also publishes titles such as The Professional Upholsterer and Today's Furniture Designer, and is also active in video through Video/Today, a company producing commercial videotapes.

Westbury rights to raise £30m

BY ANDREW HILL

Westbury, the Midlands and West of England housebuilder, announced a 2-for-5 rights issue to raise about £29.6m, which will be used to reduce borrowings.

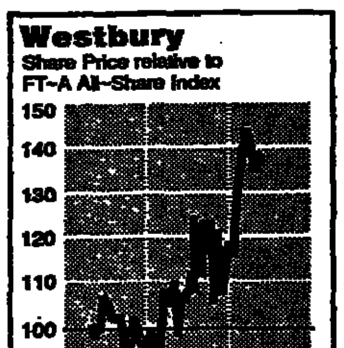
The group brought forward its annual results to coincide with the announcement, and reported profits up nearly 69 per cent to £15.4m before tax in the year to February 29, against £9.1m in 1986/87.

Mr Richard Fraser, chief executive, said the rights issue would reduce gearing – which stood at 86 per cent on April 11 – and provide the means for expansion.

The issue – at 215p a share, against last night's closing price of 249p, down 2p – is underwritten by Kleinwort Benson. Subsidiaries of Investors in Industry, representing 14.2 per cent of the shares, have agreed to take up their rights in full.

Last year turnover increased to £123m (£94m) and earnings per share rose nearly 52 per cent to 28.2p (18.6p).

Westbury completed some 2,400 homes, up 10 per cent on 1986/87, and increased the number of plots of land owned to 6,700 and the number held under option or conditional contract to 6,000. This represents about 5.26 years' supply.



Operating margins increased from 11.7 per cent in 1986/87 to 13.7 per cent last year. Mr Fraser said he was particularly pleased that margins had risen from 11.6 per cent in the first half to 15.3 per cent in the second, and continued at the same level into 1988.

The profits included an exceptional credit of £786,000, representing the sale of Westbury's head office.

The board is recommending a final dividend of 3.75p, making 5.5p (4.7p) for the year.

● comment

Margins of 14 per cent are modest compared with the boomtime housebuilders in the South-east and prices are not rising as quickly in Westbury's operating areas. However, the group has always concentrated on first-time buyers and has declared its ambition to tap the full potential of current operating areas before expanding. These are admirable defensive qualities and the strategy has left Westbury well-placed in the East and West Midlands and South-west England. The group is widening this solid base with a sensible diversification into specialist housebuilding – low-cost housing in partnership with local authorities, quality executive housing and retirement homes. Assuming pre-tax profits of £24m this year, the shares, on a prospective multiple of about 7, are worth keeping.

Butte 40m share issue

BY KENNETH GOODING, MINING CORRESPONDENT

Butte Mining, which gained a London quotation last October, is to issue 40m new ordinary shares at 125p each – worth a total of £50m – in consideration for the acquisition of a substantial claim block adjacent to its Rainbow prospect in Montana.

The vendors, who will own 40 per cent of Butte, have undertaken not to dispose of the new shares for two years without prior consent.

Butte said the block contains precious metal mineral interests with an undiscounted pre-tax net worth of $186m (£99m).

Surface reserves amount to 149,500 tonnes containing mainly silver at a grade of 2.6 ounces a tonne. Underground reserves amount to 1.782m tonnes with grades of 20.9 ounces a tonne of silver and 0.21 ounces of gold.

Scottish National

Scottish National Investment trust, the Gartmore-managed fund which transformed itself into a split-level investment trust last autumn in one of the industry's largest reorganisations, yesterday reported a 24 per cent fall in total net assets to £246m during the six months to end-March.

GrandMet moves into nuts and yoghurt

By Christopher Parkes, Consumer Industries Editor

Grand Metropolitan, the drinks and leisure group, is to move into the 'designer grazing' market with the purchase of Healthworks for an undisclosed sum.

Healthworks is a private retail business which sells fresh orange juice, nuts, dried fruit, frozen yoghurt and other healthy snacks from small outlets in busy locations like airports and railway stations.

Founded in 1984, the company has 21 kiosks and shops, some of which generate annual sales of more than £5,000 a square foot. Turnover in 1988 is expected to reach £7m.

"The acquisition gives Grand Metropolitan representation in the dynamically-growing 'designer grazing' market, one of a number of impulse-driven sectors led by such players as Body Shop, Tie Rack and Sock Shop," GrandMet said.

Growth had been held back by lack of capital and access to property, but with GrandMet's resources behind it Healthworks would now grow aggressively in the UK and overseas. It already has two outlets in New York.

Under the sale agreement Mr Paul Green, Healthworks founder, and other shareholders will be paid an initial lump sum with further payments related to performance over the next two years.

Glen Abbey

Glen Abbey, the Dublin-based shell company yesterday announced that GMI Landmark Management, a Leeds-based property company and York Trust Group, an issuing house, had taken a 20 per cent stake in the company. The move is a further step in the transformation of Glen Abbey from a textile manufacturer into a property developer.

York Trust and GMI each acquired 375,000 shares for 130p per share from Mr Liam Jones, Mr Donal Roche and Mr John Teeling, directors of Glen Abbey.

UniChem publicity

UniChem, the chemist's co-operative which has received an unwelcome £65m takeover bid from Macarthy, has agreed that any further advertisements publicising its controversial incentive scheme should be circulated by a licensed dealer, bringing it into line with legislation.

STC minority stake

STC has taken a minority shareholding in Expertech, a company engaged in the field of practical applications for expert systems and knowledge engineering.

The consideration for STC's 20 per cent interest is £212,000.

Peachey extends its offer for Estates Prop

Peachey Property, which is locked in battle with newly-formed consortium, Giltvote, for control of Estates Property Investment Company, yesterday extended its offer until May 23.

By the previous closing date on Tuesday afternoon, Peachey controlled 33.5 per cent of EPIC shares. The bulk of this figure represents Peachey's own stake in the target company – 33.2 per cent of the equity. Acceptances in respect of the £68.4m offer have fallen slightly since the last closing date, and now cover 0.3 per cent of EPIC's shares.

The Peachey offer, which has already been declared final, is lower than the £66.12m recommended offer from Giltvote. However, Peachey has consistently said that it is prepared to remain a minority shareholder in EPIC if necessary, and its position has not facilitated Giltvote's efforts to gain control.

By last Saturday, Giltvote – which is headed by Mr Stephen Wingate – controlled 34.5 per cent of EPIC shares. This offer, too, has been extended, to May 18.

Crescent Japan asks for support against unitisation proposal

BY NIKKI TAIT

Crescent Japan, the £110m investment trust managed by Edinburgh Fund Managers, has written to the major institutions which backed a unitisation proposal at an extraordinary meeting last week, asking them to reassess their position.

Mr Alan McInroy, Crescent chairman, said that his letter had been prompted by "the large number of shareholders voting at the meeting and the overwhelming support for the board from our small shareholders".

The board, he said, was strongly opposed to any unitisation scheme.

It would involve turning the investment trust into a unit trust, thereby eliminating much of the traditional investment trust discount.

The unitisation proposal was put forward by an American concert party which has built up a 21 per cent holding in the trust.

At the meeting, about two-thirds of the votes cast were in favour of unitisation and one-third against.

However, Crescent says that six institutional shareholders accounted for 97 per cent of the votes cast in favour of unitisation, and claims support from hundreds of small shareholders.

"The huge majority, in terms of numbers of shareholders, has demonstrated that an investment trust with a proven record deserves their support and protection against a corporate attack motivated purely by short-term profit criteria," claims Mr McInroy.

Crescent has already said it will put forward unitisation proposals as requested, but pointed out that if the EGM voting pattern is repeated, the necessary 75 per cent majority to implement the scheme would not be achieved.

Yesterday, however, a number of the institutions involved stressed that they were answerable to their own policyholders, and other parties whose money they are managing.

Crescent's continued opposition appears to have engendered irritation, rather than support.

"The law is very clear – one share, one vote," commented a spokesman for one institution.

Marina purchase

Marina Development Group, the UK's largest marina operator, yesterday announced the acquisition of Hamble Point Marina for a maximum of £4.5m and the sale of Hartford Marina for a minimum of £746,050 in cash.

Plumb Holdings

Plumb Holdings, interior contracting and decorating group, made profits before tax of £2.88m in the year to January 30 1988, against £1.46m the previous year. This corrects figures given in yesterday's FT which referred to profits after tax.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY–Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1986							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT–By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
Jan.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE–Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
1986							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
Jan.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL–Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Consumer credit £m	Base rate %
1986							
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
Jan.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION–Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sep 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters comdty.	Sterling
1986							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Ellis Goldstein ......fin	1.7	June 16	1.7	2.6	2.6
Elswick ......fin	0.3†	-	nil	0.3	nil
Foseco Minsep ......fin	7.1‡‡	June 29	6.25	10.6	9.2
Gee (Cecil) § ......fin	1.25	June 27	1	1.25	1
Hawtal Whiting ......fin	4	Aug 15	8	4	8
Jessups ......int	2.9	July 1	1.75	-	5.25
Lorlin Elect § ......fin	3	-	2	3.5†	3
Majedie Inv ......int	2	July 8	2	-	6.5
Martin Groome § ......fin	2.75	July 1	2.5	4.4†	4
Nurdin & Peacock ......fin	2.7	-	2.28*	4.3	3.88*
Scott Natl Trust ......int	1.3♣	July 6	-	-	-
Shiloh ......fin	2.75	June 16	2.5	4.5	4
S&U Stores ......fin	2.75	-	2.5	4	2.5
Video Tape Rec ♦ ......int	0.8	May 27	-	-	-
Walker (J.O.) ......fin	4.5	-	3.5	7	5.5
Westbury ......fin	3.75	-	3.2	5.5	4.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡‡Carries scrip option. ♣Makes 2.6p for interim period.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bellway, British Assets Trust, COFC [illegible]

[illegible] Supplies, Molyns, Scottish Mortgage, Slingsby, R. Smallshaw, Windsmoor.

FUTURE DATES

Interims-

Cronite	May 4
Lexicon Inc	May 5

Finals-

Allied Lyons	May 17
Atkins Brothers (Hosiery)	Jun 7
[illegible]	[illegible]

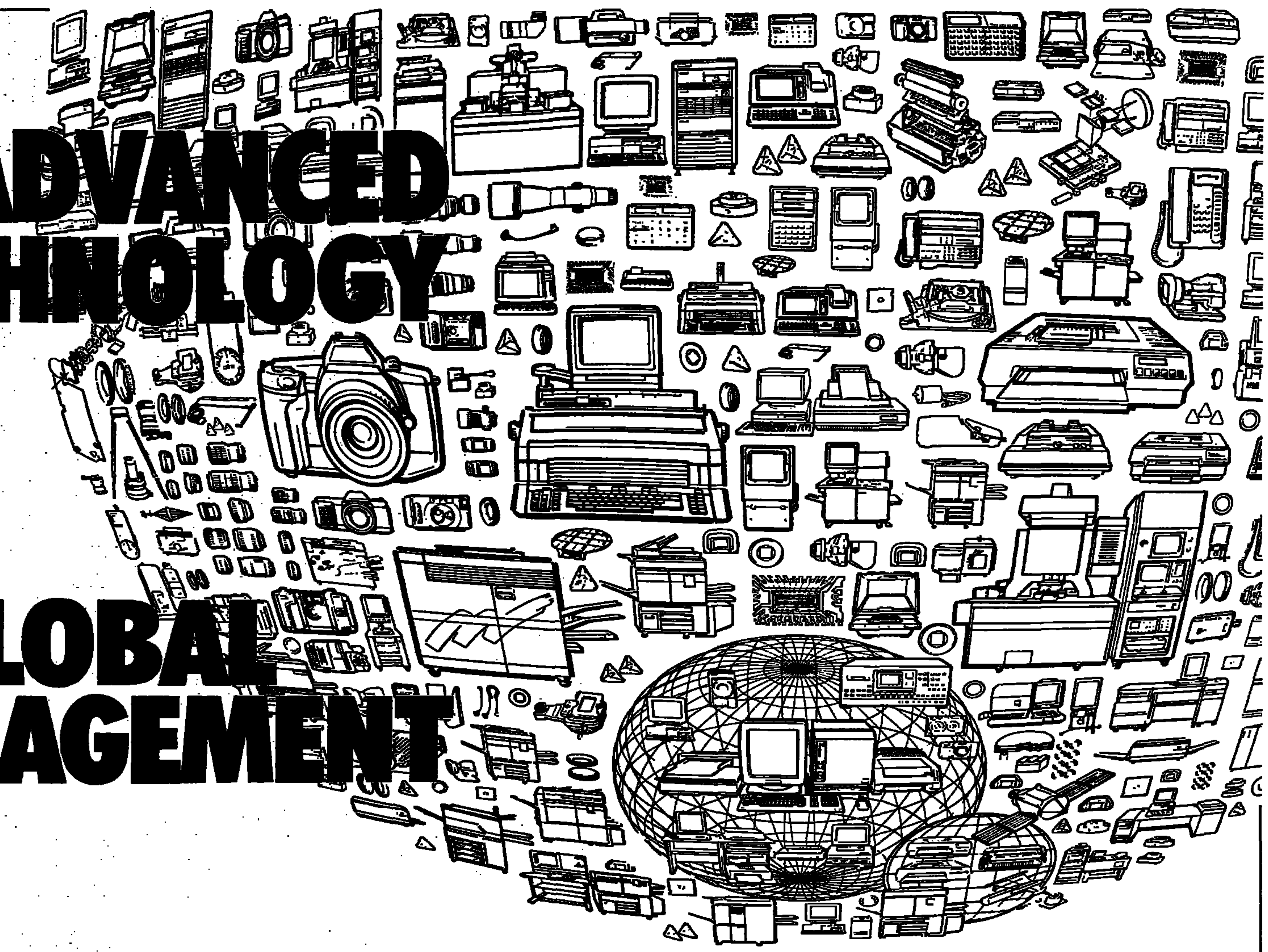
Public Works Loan Board rates

Effective April 27

Years	Quote loans repaid by EPt	Quote loans repaid At†	Quote loans repaid at maturity§	Non-quote loans A* repaid by EPt	Non-quote loans A* repaid At†	Non-quote loans A* repaid at maturity§
1	–	–	8¾	–	–	9¼
Over 1 up to 2	8¾	8¾	9	9¼	9¼	9½
Over 2 up to 3	9	9	9⅛	9½	9½	9⅝
Over 3 up to 4	9	9⅛	9¼	9½	9⅝	9¾
Over 4 up to 5	9⅛	9¼	9½	9⅝	9¾	10
Over 5 up to 6	9¼	9⅜	9⅝	9¾	9⅞	10⅛
Over 6 up to 7	9⅜	9½	9⅝	9⅞	10	10⅛
Over 7 up to 8	9⅜	9½	9⅝	9⅞	10	10⅛
Over 8 up to 9	9½	9⅝	9⅝	10	10⅛	10⅛
Over 9 up to 10	9½	9⅝	9⅝	10	10⅛	10⅛
Over 10 up to 15	9⅝	9⅝	9½	10⅛	10⅛	10
Over 15 up to 25	9⅝	9½	9⅜	10⅛	10	9⅞
Over 25	9½	9⅜	9¼	10	9⅞	9¾

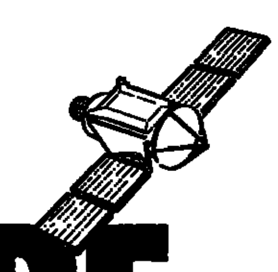
*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

IN ADVANCED TECHNOLOGY



IN GLOBAL MANAGEMENT

INNOVATION YOU CAN SHARE



Technology is a resource we want to share.
In an age where technology is king, our aim remains simple. We want to share what we have. Because at Canon we believe technology is as much a natural resource as the water we drink or the air we breathe. That's why every innovation we make is geared to sharing technological breakthroughs with as many people as possible.

We were the first to put electronics into our cameras, so anyone could take pictures like a pro. We took big, bulky copiers and made them small and affordable enough for personal and family use. And when we came up with a Laser Beam Printer, we didn't keep it to ourselves. Instead, we helped launch a whole new industry — desktop publishing.

Trade is just the beginning.
We're ambitious too. We want to break down national borders. Because it didn't take us long to figure out that when we work together, trade is just the beginning.

That's why, when we founded our first sales subsidiary in Europe, in Geneva in 1963, we knew it was just the first step. Just nine years later, we set up our first European production facility, a copier plant in Giessen, West Germany. Since then we've added a second plant, in Bretagne, in France. We also have plants in the U.S.A., and technical exchange agreements with the Peoples Republic of China.

Cooperation for a better tomorrow.
Today, we're growing in new directions, expanding our business in telecommunications, in artificial intelligence and biochip technology. Don't get us wrong. We believe in profit. But we want to use that profit wisely. To create new employment opportunities, beat pollution, and benefit humanity. A Utopian dream? Not really.

Last year, we at Canon celebrated our 50th anniversary. As we start our second half century, we still think that success, like technology, is meant to be shared, and that working together to build a better world is the one management goal that we all should be pursuing.

Canon

CANON INC.
Tokyo Japan

UK COMPANY NEWS

Full listing puts £46m valuation on Victaulic

BY PHILIP COGGAN

Victaulic, the plastic pipeline company, yesterday announced details of a main market listing, just five years after it was privatised via an employee buyout from British Steel.

The flotation terms mean that employee shareholders, who paid the equivalent of 12.5p per share in 1983, will have seen their investment multiply nearly nineteenfold.

Lazard Brothers is placing 4.4m shares, 23 per cent of the equity, at 235p each, giving Victaulic a market capitalisation of £46.4m. Dealings are expected to start on May 6.

The company was founded in the 1920s by a Royal Engineers officer, Lieutenant Ernest Tribe. In the First World War he had seen, in the trenches, that old-fashioned pipelines leaked frequently and he invented a more efficient pipe jointing mechanism.

In 1936, Stewarts & Lloyds, the steel company, took a controlling interest in Victaulic and that eventually led to the company being nationalised twice in government takeovers of the steel industry.

When the buyout was organised in 1983, British Steel retained 30 per cent of the equity, a group of 562 employees and managers took 40 per cent and three institutions - Barclays Industrial Development, Investors in Industry and Prudential Assurance - took the remaining 30 per cent.

British Steel is selling part of its shareholding in the placing and will own 22 per cent of the enlarged equity. It has guaranteed not to dispose of its remaining stake before the summer of 1989.

Victaulic now has three main business areas - mechanical pipe couplings, polyethylene pipes and rubber seals and gaskets. Its major customers - currently representing around 60 per cent of turnover - are the gas and water industries which are gradually replacing old metal pipelines with plastic pipes.

Last year, the company made pre-tax profits of £6.5m on turnover of £51.8m, compared with profits of £5.5m on sales of £43.6m in 1986. At the placing price of 235p, the shares will be on a historic price earnings ratio of 11. The gross dividend yield is 4.3 per cent.

Victaulic has already made five small acquisitions since the buyout and the flotation will help it pursue an acquisition policy. Its aim is to broaden its customer base and expand into the area of technical plastics.

Derek Papworth (left) executive director, and David Stewart managing director with some of the company's products

Ellis & Goldstein falls £1m behind

BY ALICE RAWSTHORN

Ellis & Goldstein, which manufactures Dash leisurewear and Eastex women's wear, yesterday announced a fall in pre-tax profit from £3.7m to £2.6m in its last financial year because of problems with Dash in the US and with new ranges in the UK.

The group incurred a loss of $266,000 (£157,000) on Dash's shops in New York, which opened last year and are now being closed. A provision for the cost of withdrawal represents the bulk of £1.6m extraordinary debits.

E & G also withdrew its EK range, launched a year ago as a younger version of Eastex. The cost of this exercise accounted for the rest of the extraordinary items. Similarly it has relaunched the Jenni Barnes collection for young, working women after two unsuccessful seasons.

The group's turnover rose to £85.9m (£80.5m) in the year to January 30 and profits on continuing activities fell to £4.1m (£4.5m). Earnings per share fell to 5.9p (8.1p). But the board proposes to hold the final dividend at 1.7p, making an unchanged total of 2.6p.

Mr Alan Philpott, chairman, said the year had been spent "sorting things out and taking corrective action". He said that the first half of this year is "unlikely to show anything sparkling" but hoped that the group would make a "strong recovery" in the second half.

Although Dash encountered difficulties in the US, its UK business was the chief catalyst for sales growth. There are now 220 Dash shops-in-shops, while the number of shops rose from 14 to 27 during the year. E & G intends to open nine more units by the middle of the year.

Mr Philpott said the Eastex range performed well last year. He described the response to the new Jenni Barnes collection as encouraging. "We have had two ranges which have not worked. Hopefully it will be third time lucky," he said.

● comment

Ellis & Goldstein is a victim of over-confidence. Flushed with its success in launching Dash into the UK in the early 1980s, it sallied forth into the US last year. The timing was wrong. So were the sites. The best that can be said for the misadventure is that it at least had the sense to cut its losses sooner rather than later. The response to the problems of EK and Jenni Barnes was just as prompt. The risk involved in the new Jenni Barnes - with far fewer shops and shorter lead times - is much reduced. But the blunders so far scarcely augur well for the company's chances of succeeding with its sorely needed third range. Nevertheless, Dash is faring well and Eastex is as solid as ever. The City expects a recovery in pre-tax profits to £2.5m this year. The shares are unlikely to fall further - on a prospective p/e of 8 - but investors will want to wait for proof, not promises, of recovery before they rise again.

Roskel for USM with £16m tag

BY FIONA THOMPSON

Roskel, the suspended ceilings installer and distributor, is joining the USM via a placing valuing it at £16m.

CL-Alexanders Laing & Cruickshank is placing 3.3m shares, representing 25 per cent of the enlarged equity, at 121p each. Of these, 1.77m are new and will raise £1.95m for the company. Existing shareholders are selling 1.5m shares.

The company, based in Birmingham, has two divisions Roskel Contracts and CP Supplies. Roskel Contracts installs suspended ceilings from four branches in Glasgow, Birmingham, north and south London.

CP Supplies, from seven depots throughout the country, distributes ceilings and partition systems materials to smaller contractors and also hires out lightweight aluminium scaffolding towers.

One of the top four suspended ceiling contractors in the country, Roskel has a 3 to 4 per cent share of the estimated £300m UK market in this sector. Its customer list includes major UK building contractors and store groups such as Tesco, Asda, Sainsbury and BhS.

Roskel is coming to the market to finance future growth, said Mr Simon Skelding, chairman and managing director, who founded the business in 1968.

Pre-tax profits have trebled over the past five years from £551,000 in 1983 to £1.73m in 1987, putting the shares on a historic p/e of 12.5.

Dealings are expected to start on May 6.

Shiloh little changed

Shiloh, Oldham-based textile spinner and protective clothing manufacturer, reported a marginal rise from £1.85m to £1.87m in pre-tax profits in the year to March 31 1988.

Profits from textile spinning were slightly lower, but this was offset by an increased contribution from medical and industrial disposables.

The directors said prospects on the textile side looked rather less promising, but expansion of the group's other interests should enable it to continue to make progress.

Turnover for the year rose from £14.67m to £16.53m. There was a tax charge of £478,740 compared with £414,966.

The final dividend is raised from 2.5p to 2.75p net for an increased total of 4.5p (4p). A one-for-one scrip issue is also proposed.

Thai Fund subscriptions

BY PHILIP COGGAN

THE $30m offer for subscription of shares in the Thai Investment Fund, a company specialising in investment in Thailand-based securities, received applications from the public for just 215,600 shares, 7.2 per cent of those on offer.

However, applications had already been received from or through the underwriters for 2.25m shares, 75 per cent of the issue.

An offer for subscription differs from an offer for sale in that the issuing company is not obliged to create all the shares on offer. If demand for the shares is insufficient, the company can simply issue fewer shares.

However, the Thai Investment Fund was underwritten by a group of institutions led by Yamaichi International and all 3m shares on offer will be taken up.

Pennant joins Third Market

By Fiona Thompson

Pennant Group, the holidays and leisure group, is joining the Third Market via an introduction by Hichens Harrison.

Pennant owns a fleet of 340 boats available for private hire on the Norfolk Broads from the company's four boat yards. It also owns Sundowner Holiday Park, a freehold site with 408 self-catering holiday chalets, and two holiday centres catering for a total of 630 people. The group also owns two pleasure steamers and six luxury coaches.

Strength of the pound could depress Reuters

Sir Christopher Hogg, the chairman of Reuters Holdings, the information services group, said at the annual meeting yesterday that the impact of the stock market crash had been less severe on the company's business than might have been expected.

The rate of installation of subscription services was very high and the flow of gross new orders has been at record levels.

However, the cancellation rate has been above normal - reflecting some cutbacks in financial markets where expansion was previously most dramatic.

The strength of sterling, if extended, could, Sir Christopher said, depress results below original expectations.

UK COMPANY NEWS

Alphameric in £9m call and forecasts £4.6m

BY CLAY HARRIS

HAVING WON an order worth up to £5m from the Halifax Building Society, Alphameric, manufacturer of computer keyboards, viewdata terminals and dealing systems, yesterday launched a one-for-four rights issue to raise £9m.

The data broadcast system ordered from Alphameric will enable Halifax, Britain's largest building society, to transmit and display marketing information simultaneously to customers in branch offices throughout the country.

The initial contract order, an 18-month project, is worth £3m to Alphameric. Add-on options may raise the total to £5m.

Alphameric yesterday also estimated pre-tax profits of £4.6m on sales of £30m for the year to March 31. It reported profits of £3.62m in 1986-87, a figure restated to £3.9m after merger accounting for the subsequent acquisition of PC Communications, a modems manufacturer.

The estimate was at the low end of City forecasts at the interim stage, when Alphameric was expected to recover from a disappointing first half to reach close to £5m pre-tax. Indeed, the second half produced a record result of £3.1m. Excluding PC, however, profits are estimated to have risen only by 8 per cent.

Mr Roger Hatfield, finance director, said the rights issue proceeds would be used initially to reduce borrowings, which had risen to £3.9m by March 31, as a result of heavy research and development spending and investment in manufacturing facilities.

The new shares are offered at 247p, compared with yesterday's market price of 285p, down 5p. Investors in Industry, which holds 10.6 per cent of Alphameric, has undertaken to take up its rights in full.

Alphameric has forecast a final dividend of 2.5p – for which the new fully paid shares will be eligible – to make a total of 3.5p (2.5p).

Fredk. Cooper acquires Lorlin

BY CLAY HARRIS

Frederick Cooper, industrial holding company, yesterday secured its largest single acquisition with an agreed takeover of Lorlin Electronics which values the USM-quoted maker of switches and connectors at £15.1m.

Cooper is offering 22 convertible preference shares for every 10 Lorlin ordinary. This values Lorlin shares at 238p, compared with the 162p suspension price on Tuesday. There is a cash alternative of 220p.

Lorlin makes switches used in electronic equipment such as telephones and televisions. Mr Eddie Kirk, Cooper chairman, said: "With our connectors and their switches, it gives a complete range of products in that sector." The two companies have only one customer in common.

The acquisition, the first of a quoted company since Mr Kirk took over at Cooper early in 1986, continues his emphasis on electronic components and security products as the main avenues for expansion. Cooper is also involved in metal finishing, materials handling and specialist engineering.

Cooper intends to tighten financial and management controls to widen Lorlin's margins from 18 per cent to 25 per cent, in part through the elimination of sub-contract work, a process already started by Lorlin.

The scope for improvement was underlined yesterday by Lorlin's 1987 results which showed pre-tax profits less than 2 per cent ahead at £1.11m on turnover of £5.87m (£5.11m).

Earnings per share fell to 12.08p from 13.2p adjusted for a rights issue. A proposed final dividend of 2p, which is not affected by the Cooper offer, raises the total to 3.5p (3p).

Despite the 19.7 exit multiple based on the share terms, Mr Kirk said margin improvements would take place rapidly enough to avoid any earnings dilution at Cooper in the current year.

Cooper has received irrevocable acceptances for nearly 55 per cent of Lorlin shares from directors and their families and certain other shareholders.

The preference shares, an additional tranche of an existing issue, will convert into Cooper ordinary at 189p, a 15 per cent premium to yesterday's market price of 164p.

Altogether, convertibles will now account for nearly 39 per cent of Cooper's fully diluted capital. The new convertibles were underwritten at 100p, compared with the market price of 110p.

WPP in £22.1m expansion

By Nikki Tait

WPP, the British marketing services company which now takes in the New York-based JWT Group, continued to hit the acquisition trail yesterday with the purchase of EWA, a UK database management company, for a maximum of £22.1m.

EWA is WPP's third acquisition this month. At the beginning of April it announced the purchase of the Henley Centre, the UK consultancy business, and last Friday said it was acquiring Einson Freeman, a US sales promotion company.

WPP says the purchase of EWA will bring in specialist database management marketing techniques, increasing the range of marketing services it is able to offer. Such techniques aim to give clients a better idea of their customer profile, thus allowing marketing expenditure to be targeted more effectively.

EMA was started in 1982, and made a pre-tax profit of £487,000 in the year to end-March 1987. According to WPP, management accounts suggest a pre-tax profit figure of £604,000 in the 10 months to end-January 1988. The vendors have warranted profits after tax of £487,500 for the year to end-March.

At March 31 1987, EWA's net tangible assets were £673,000.

The deal is being funded by an initial payment of £4.8m - £2.88m in cash and the rest in WPP shares. Further payments will be made in each year up to 1993, conditional on after-tax profits for the three years to end-March 1993. There is also a bonus payment of up to £3.6m in WPP shares if post-tax profits grow at 25 per cent a year compound in the the five-year period. But the overall consideration cannot top £22.1m.

French discuss sale of stake in Framlington

By Nikki Tait

With the bid by Throgmorton Trust for fund management group Framlington due to reach its first close today, French bank Credit Commercial de France – which holds a key 28 per cent stake – said it would meet this morning to discuss its next step.

In Paris yesterday, CCF made clear that it wished to sell its stake, but "not at any price.".

The French company is particularly anxious to get a board recommendation for any Throgmorton offer; if it is forced to sell its stake to Throgmorton in the face of continued Framlington opposition, it could trigger a "pre-emption agreement" which allows Framlington 30 days to find an alternative buyer at not less than 95 per cent of the Throgmorton price.

However, although CCF is unlikely to wish to get too far into the bid timetable, it added yesterday, "We still have plenty of time."

J.O. Walker doubled

J.O. Walker more than doubled pre-tax profits from £281,383 to £600,038 in 1987, on turnover ahead at £14.7m, against £12.98m.

Earnings per share grew from 20.9p to 47.9p and a final dividend of 4.5p, makes 7p (5.5p) for the year.

Jessups up 58% midway

Jessups, motor vehicle dealers and leasing specialist, achieved strong profits growth in the six months to February 29 and the progress has continued.

The taxable figure of £1.02m was 58 per cent up on the £644,000 made in the comparable period. The increase was scored on turnover up 19 per cent from £33.72m to £40.28m.

Better margins were achieved on new car sales and improvements in volumes and profits on used cars. The profit contribution from after sales activities increased significantly, the directors said. They are confident of a very satisfactory result for the year.

An interim dividend of 2.9p (1.75p) is to be paid on earnings of 7.89p (5.15p).

Hatfield turns in £0.25m

INTERIM figures for Hatfield Estates, a construction and property development company, have exceeded expectations, said Mr Arthur Morton, chairman.

The company came to the USM last December. For the six months ended February 29 1988 it produced turnover of £1.4m and pre-tax profit of £253,000.

Mr Morton said it was intended to continue organic growth and to expand by acquisition and joint ventures. He did not anticipate completion of any major developments in the current year, and those recently started were scheduled for completion in 1988-89.

He expected a dividend of not less than 1.5p for the present year.

Martin Groome up 41%

IN A year of rapid expansion and progress Ronald Martin Groome has lifted turnover 54 per cent and pre-tax profit 41 per cent. And in 1988 has enjoyed its best-ever start to a new year.

This USM supplier of office equipment, furniture, and gift and novelty stationery, turned in sales of £24.89m in 1987, against £16.17m, and profits of £2.12m, compared with £1.5m. Earnings moved up to 14.5p (11.9p) and the final dividend is 2.75p for a 4.4p (4p) total.

Mr Martin Abramson, chairman, said there were four key achievements: improvement of the direct marketing capabilities; introduction of several imported products; strengthening of financial management; and raising £3m to finance further expansion.

There was significant growth in the Ronald Martin office equipment and RMS International gift and stationery divisions.

The first quarter of 1988 enjoyed record turnover and Mr Abramson was confident about prospects.

BOM back in black

BOM Holdings, formerly Bristol Oil & Minerals with interests in oil and gas, but now a specialist furniture retailer chaired by Mr David Bulstrode of Marler Estates, has moved back into the black in the 13 months to end-January 1988 for the first time since 1981.

Mr Bulstrode said that the improvement in the pre-tax figure from a loss of £1.04m to profit of £225,000 reflected the contribution of Albancode Group which reversed into BOM in September 1987, the successful acquisition and disposal of property interests in Cornwall and the continuing reduction of central overheads.

Turnover made a significant advance from £166,000 to £12.98m and with no tax (same), earnings per share came out at 0.16p (2.81p losses).

Advance at S.& U.

S. & U. Stores celebrated its 50th anniversary with a 40 per cent increase in pre-tax profit from £1.24m to £1.74m on turnover only marginally up from £37.76m to £37.77m for the year to January 31 1988. A final dividend of 2.75p has been recommended, giving a total of 4p (2.5p).

After tax of £670,000 (£540,000), earnings per $12\frac{1}{2}$p share came out at 10.16p (6.24p).

COMMODITIES AND AGRICULTURE

Traders in rubber clash over stock sale

By Wong Sulong in Kuala Lumpur

THE MASSIVE sales programme of the *international buffer-stock* emerged as a strong point of contention between producer and consumer members at the International Natural Rubber Organisation (INRO) council meeting here yesterday.

The session had to be extended for another day to allow members to reach agreement over future buffer-stock disposals.

Producer countries expressed concern that the substantial sales by Mr Aldo Hofmeister, manager of the buffer-stock, would depress prices, and wanted him to restrict his operations.

They pointed out that the INRO council had authorised him at its last meeting in October last year to arrange a "modest" sales programme. Its purpose would be to raise funds to service INRO until the second rubber agreement comes into force. Mr Hofmeister's main guideline was to be that his sales should not disrupt the market.

Mr Hofmeister began to sell rubber last September when the price breached the "may-sell" level of 232 Malaysian/ Singapore cents a kilo. He stepped up disposals after January when the price hit the "must-sell" level of 242 cents.

He is believed to have sold about 220,000 tonnes from his *370,000-tonne stockpile*, but so far his efforts do not appear to have had any appreciable impact on the market.

Mr Hofmeister told the INRO delegates he believed prices would soften within a month or two as a result of the impact of his sales, and the end of the wintering season in south-east Asia.

Consumer members of the council opposed the producers' move. They said that in view of the current production shortage and of strong demand, Mr Hofmeister's main obligation was to halt surging prices.

The current price is above 257 cents a kg, and some consumers feel unless Mr Hofmeister is allowed flexibility in his operations, the price could breach the upper intervention level of 270 cents. At that stage INRO would have to use all its available resources to defend the market.

The heated debate on the buffer-stock sales is reminiscent of the dispute during 1984-86 over the huge buffer-stock purchases to defend the lower price range.

"Previously, it was consumers who complained that the buffer-stock manager was buying too much, and wanted the price to find its level," said an INRO official. "Now it's the producers' turn to complain that the manager is selling too much rubber."

Raymond Hughes on the decision that an international grouping is greater than the sum of its members

Tin Council nations escape liability after collapse

THE CREDITORS of the International Tin Council (ITC) have suffered another defeat in their legal battle to be paid by the council. The council collapsed into insolvency in October 1985 owing about £900m.

The Court of Appeal yesterday dismissed appeals by creditors against four High Court rulings last year. On the most important issue it decided, by a 2-1 majority, that the ITC's members were not liable under English law to pay the organisation's debts. The members are *Britain, the European Community* and 22 other states.

On the other issues the three judges:

- Upheld the striking-out of a petition for the compulsory winding-up of the ITC brought by Amalgamated Metal Trading, a London Metal Exchange trader and £5.3m ITC creditor;
- Refused an application by another LME trader, Maclaine Watson, which has a £6m judgment against the ITC, for the appointment of a receiver of the ITC;
- Dismissed the ITC's appeal against orders that it must disclose the "nature, value and location" of its worldwide assets to Maclaine Watson;
- Ruled that the EC did not have sovereign immunity from English legal proceedings.

The most significant appeals, which had been heard together, were in two of the so-called direct actions, by which creditors hope to have the ITC's members held liable for its debts.

In actions by two London Metal Exchange traders – J.H.Rayner (Mincing Lane), a £16m ITC creditor, and Maclaine Watson – two High Court judges held that *the ITC had a distinct* legal personality, separate from its members, and therefore was alone responsible for its debts.

The creditors contended that the members were jointly and severally liable for the debts. *Unlike Rayner*, which sued all the ITC members, Maclaine Watson limited its attack to the UK.

Other broker and bank creditors of the ITC joined in the Rayner hearing to argue on the members' liability issue. The actions by those other creditors, which include additional claims for damages for alleged negligence or negligent misrepresentation, are expected to get to the High Court later this year.

Dealing with the direct actions, Lord Justice Kerr said that the *creditors made three alternative* submissions:

- That the ITC had no legal personality distinct from its members, who were an un-incorporated association trading in the name of the ITC. The creditors' contracts were, although made nominally with the ITC, directly with the members, who were jointly and severally liable as trading partners.
- If the ITC did have a separate legal personality its members were not absolved from liability, the ITC being "a mixed entity" analogous to a partnership.
- If the ITC was wholly distinct from its members, it had entered into contracts as their agent.

Lord Justice Kerr said that the *first submission was untenable*. It disregarded the fact that, like virtually every other international organisation, the ITC was a legal entity under international law.

Appeal judge rejects 'misconceived' claim that the EC has sovereign immunity from English law

There were obvious reasons for not incorporating international organisations or legislating to the effect that they should be treated as if they were bodies corporate. *To have done* so would have been to domesticate or naturalise international legal entities by subjecting them to the requirements of municipal laws which would be inconsistent with their international character.

The essence of the creditors' second submission was *that* the members had a secondary direct liability to the ITC's creditors.

That argument could not be established under English law, Lord Justice Kerr said. There was no way in which contracts made by the ITC in its own name could make its members liable, unless through agency.

The judge said that for a long time he had been persuaded that the members' secondary liability, *under international law could* provide the answer "which justice requires in these deplorable cases." In the end, however, he had been driven to conclude that that argument also failed.

"I cannot find any basis for concluding that it has been shown that there is any rule of international law, binding upon the member states of the ITC, whereby they can be held liable – let alone jointly and severally – in any national court to the creditors of the ITC for the debts of the ITC resulting from contracts concluded by the ITC in its own name."

Rejecting the third submission on agency, Lord Justice Kerr said that the relationship between the member states and the ITC was "in the nature of a contract of association or membership similar to that which arises upon the formation of a company between the shareholders . . . and the legal entity which they have created by their contract of association."

Lord Justice Kerr said that, had he ruled in favour of the creditors on any of those submissions, he would have held that the member states did not have sovereign immunity from English legal proceedings under *the 1978* State Immunity Act.

He described the EC's claim to sovereign immunity as "entirely misconceived, ill-judged and untenable."

Reaching the same conclusions *as Lord Justice Kerr, Lord Justice* Ralph Gibson said that, although the members were not directly liable under English law to the creditors, and could not be ordered by English courts to pay funds directly to the ITC to satisfy the creditors' claims, they were probably liable under international law to provide sufficient funds to the ITC.

"Ordinary concepts of justice should plainly so require. The member states pursued their purpose of trying, by the trading operations of their organisation, to control the price of tin as they wished to control it.

"The member states had such benefit as was produced by implementation of their purposes and policy. They ought to pay the proper costs thereof and should not leave that cost to be borne by the banks and metal brokers to whom their organisation turned for assistance in carrying out those purposes and that policy."

Lord Justice Gibson said that claims in respect of the members' *international law obligations* could only be pursued by the UK Government.

Dissenting, Lord Justice Nourse said that English and international law together provided a sound basis on which the members should be held liable.

An English court must recognise that in international law the attribution of legal personality to an international organisation did not necessarily free its members from liability for its obligations.

The members retained an extensive participation and control in the ITC's affairs and had not, as they could easily have done, expressly excluded or limited their liability for the ITC's obligations. That liability, Lord Justice Nourse said, must be joint and several – making each member individually liable as well as liable jointly with all other members.

The three judges endorsed the High Court's view that the ITC was not subject to the English court's winding-up jurisdiction.

Rejecting Maclaine Watson's receivership appeal, Lord Justice Kerr commented that the appointment of a receiver would serve no purpose.

It would take the *creditors no* further in their attempts to recover their debts from the members, either directly or indirectly.

The parties will return to court on May 16 to consider the consequences of the appeal court's rulings.

The cases will then almost certainly go on appeal to the Law Lords.

Oil nations outside Opec offer sales pact

By Richard Johns in Vienna

MEXICO, backed by six other non-member oil producers of the Organisation of Petroleum Exporting Countries, seized the initiative at the outset of an unprecedented joint meeting with Opec here.

They have offered a 5 per cent cut in export volumes until the end of June if the 13 members of Opec do the same with the aim of restoring price levels to about $18 per barrel.

Such a cut would reduce worldwide supplies by about 900,000 barrels a day. That would include about 700,000 b/d from Opec and 200,000 b/d from non-member producers.

Opec will consider the proposal at a full emergency conference tonight. Mexico's proposal was met here initially with a polite but non-committal response from a consultative committee of ministers of six Opec states.

There could be a prolonged deadlock in the exchanges between the two groups because most Opec states have been thinking of matching cuts on a barrel-for-barrel basis.

Chances of a compromise have been clouded by Saudi Arabia's decision to break off diplomatic relations with Iran.

Expressing what he stressed was a personal view, Mr Khazempour Ardebili, Iran's Deputy Minister of Oil, said on arrival that the break was "intended to have a negative influence on oil prices."

Iran is expected to back strongly the non-Opec proposal that the 20 oil exporters should reduce supplies by 5 per cent. Apart from Mexico, non-members represented here are Angola, China, Colombia, Egypt, Malaysia, and Oman.

Mr Fernando Hiriart Balderrama, Mexican Minister of Energy, said his Government was prepared to lower exports "if we find an adequate proportional response from OPEC."

Brussels tries to avert threat to meat imports

BY TIM DICKSON IN BRUSSELS

THE European Community is trying to head off a threat from the Spanish Government to bar pigmeat imports from other member states.

The European Commission said in Brussels that it had increased the payments for so-called private storage by an average 75 per cent.

The new range, depending on product and storage-length, is Ecu237 to Ecu572 a tonne.

There is no public intervention by the EC authorities in the pigmeat sector.

Prices in Spain are now the lowest in Europe. Madrid, egged on by its farmers, has blamed supplies from other EC member-states, notably The Netherlands, West Germany and Denmark.

Mr Carlos Romero, Spain's Agriculture Minister, last week raised the issue of invoking the 'safeguard' clause in Spain's Accession Treaty. This can be introduced when an "out of the normal" market situation arises.

But Mr Frans Andriessen, EC Farm Commissioner, expressed his reluctance and other EC countries, such as France and West Germany, objected.

Not only Spanish prices are depressed. The market elsewhere in Europe has been suffering.

For example, prices in the UK and West Germany have been down more than 12 per cent on their levels a year ago.

Moreover, a commission official last night said that, due to the low prices, Spanish pigmeat imports had in any case dropped to "a very low figure."

Spain's problem is its inability to export because the Brussels authorities have not cleared its producers for swine-fever. Quantities now in storage have thus to be disposed of on the domestic market.

In an effort to respond to this difficulty the commission also announced yesterday that it was sending a committee of veterinary experts "to assess the local situation."

"Spain's troubles are also symptomatic of the overall rise in European pigmeat output since reforms were introduced in the dairy sector.

Many farmers are known to have switched from milk to pigs and thereby contributed to the 120,000 tonnes to 130,000 tonnes of pigmeat in private storage.

MacGregor warns of EC attitude to pig-farmers

BY BRIDGET BLOOM

BRITAIN WOULD find it extremely difficult to persuade its partners in the European Community to accept measures designed to ameliorate the current plight of pig-farmers, Mr John MacGregor, Minister of Agriculture, Fisheries and Food, has told the House of Commons select committee on European legislation.

Pig-farmers have been arguing that because of Britain's current negative monetary compensatory amounts (MCAs) they are losing out, to Dutch pig-producers in particular.

MCAs are taxes initially intended to even out currency distortions in trade between the 12 member states of the EC.

British pig-producers say they are losing about £4 on each animal sold because of the MCAs and because production currently exceeds demand in what is traditionally a cyclical trade.

Recently pig-farmers said the Dutch had an advantage of about £70 a tonne on bacon and about £50 a tonne on fresh pork.

Britain's strengthening pound in recent weeks has narrowed the MCA gap. None the less, Mr MacGregor has said he will continue to press in Brussels for total abolition of pigmeat MCAs.

However, agriculture ministers of the member nations of the EC were deeply divided on the issue, and he had little support, he told the select committee.

He said he would also like to see steps taken for a measured, or staged, devaluation of the green pound in the preliminaries to 1992 when MCAs as a whole are due to be abolished.

However, although this was an important issue in the present round of farm price-fixing in Brussels, Mr MacGregor said that his proposal had found little favour either with the European Commission or with his fellow agriculture ministers.

One important reason why Britain currently finds itself isolated on the issue of possible adjustments to the green pound is that any devaluation of the currency unit would result in higher prices for farmers in Britain.

It would thus undercut the budget-paring measures which have been agreed so painstakingly in Brussels over recent months.

Cocoa rumours spread

BY NICHOLAS WOODSWORTH IN ABIDJAN

THE IVORY Coast has reacted strongly to rumours that it is lowering the guaranteed price paid to its cocoa producers.

A high-level delegation last week toured cocoa-producing areas in an effort to squash rumours that the government has begun paying cocoa producers less than the Fr400CFA per kg guaranteed them. The delegation included Mr Denis Bra Kanon, Minister of Agriculture.

The rumours have arisen in a general atmosphere of insecurity that has markedly increased among Ivorian producers since the failure in March of the International Cocoa Organisation to agree on producer price support mechanisms.

The general instability provoked by the free fall of world market prices has since been exploited in the Ivory Coast by Lebanese and Ivorian businessmen indirectly buying cocoa on behalf of the state marketing board.

Curb on fishing near Falklands

BY ROBERT GRAHAM

THE FALKLAND Islands administration has begun a clampdown on over-fishing and illegal fishing in the South Atlantic. In the past few days a Korean vessel has been arrested and a Polish trawler fined.

They are the first such actions since the British Government unilaterally declared a 150-mile fishing zone round the islands and instituted a licence system in January 1987.

The Korean vessel, Cheung Yong 5, owned by Daerim Fisheries, was arrested on Monday 25 nautical miles inside the zone to the north of the Falklands.

A spokesman for the Falkland Islands' Government said yesterday that the Cheung Yong 5 was fishing without a licence and faced fines on three charges totalling £350,000, plus the forfeiture of its gear.

The Polish trawler is understood to have had a licence but was found illegally transhipping part of its catch, indicating it was exceeding catch quotas.

In the current season which will end in June, 140 vessels have licences to fish in the northern zone for the more profitable catch, squid. In the southern zone only 43 licences were awarded this year.

The Falkland Islands Government estimates that the value of the annual catch is around £450m. It receives £15m in licence fees.

During this season, the authorities have been aware of increasing infringement of licence rules and illegal fishing, especially in the northern zone where vessels can come in at night, which is when the squid is fished.

WORLD COMMODITIES PRICES

LONDON MARKETS

Aggressive selling sent the cash price of nickel on the London Metal Exchange yesterday down by 16 per cent or by $3,325 to $17,400. Metal for delivery in three months fell by 7 per cent or $1,100 to $14,275. Some traders thought the easier forward trend probably reflected the prospects of freer availability of nickel from the Soviet Union. But the general supply situation remains tight in the absence of a resolution to the Falconbridge dispute with the Dominican Republic which is depriving the nickel market of about 5 per cent of free-world output. The nickel market remains vulnerable to further substantial movements either way but is likely to be contained over the short term by a support base around $12,000 a tonne and resistance at $15,400 a tonne, analysts suggested. All known bullish factors have been digested and are still sufficiently high to induce a steady flow of European merchant and speculative liquidation.

SPOT MARKETS

		+ or −
Crude oil (per barrel FOB)		
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	[illegible]	[illegible]
Gas Oil (Soviet)	[illegible]	[illegible]
Heavy Fuel Oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]
Petroleum Argus Estimates		
Other		
Gold (per troy oz)	[illegible]	[illegible]
Silver (per troy oz)	[illegible]	[illegible]
Platinum (per troy oz)	[illegible]	[illegible]
Palladium (per troy oz)	[illegible]	[illegible]
Aluminium (free market)	[illegible]	[illegible]
Copper (US Producer)	[illegible]	[illegible]
Lead (US Producer)	[illegible]	[illegible]
Nickel (free market)	[illegible]	[illegible]
Tin (European free market)	[illegible]	[illegible]
Tin (Kuala Lumpur market)	[illegible]	[illegible]
Tin (New York)	[illegible]	[illegible]
Zinc (Eur. Prod. Price)	[illegible]	[illegible]
Zinc (US Prime Western)	[illegible]	[illegible]
Cattle (live weight)	[illegible]	[illegible]
Sheep (dead weight)	[illegible]	[illegible]
Pigs (live weight)	[illegible]	[illegible]
London daily sugar (raw)	[illegible]	[illegible]
London daily sugar (white)	[illegible]	[illegible]
Tate and Lyle export price	[illegible]	[illegible]
Barley (English feed)	[illegible]	[illegible]
Maize (US No. 3 yellow)	[illegible]	[illegible]
Wheat (US Dark Northern)	[illegible]	[illegible]
Rubber (spot)	[illegible]	[illegible]
Rubber (June)	[illegible]	[illegible]
Rubber (July)	[illegible]	[illegible]
Rubber (KL RSS No 1 Mar)	[illegible]	[illegible]
Coconut oil (Philippines)	[illegible]	[illegible]
Palm Oil (Malaysian)	[illegible]	[illegible]
Copra (Philippines)	[illegible]	[illegible]
Soyabeans (US)	[illegible]	[illegible]
Cotton "A" Index	[illegible]	[illegible]
Woltops (64s Super)	[illegible]	[illegible]

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. [illegible]

COCOA £/tonne

	Close	Previous	High/Low
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

COFFEE £/tonne

	Close	Previous	High/Low
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

SUGAR $ per tonne

	Close	Previous	High/Low
Raw	[illegible]	[illegible]	[illegible]
White	[illegible]	[illegible]	[illegible]

GAS OIL $/tonne

	Close	Previous	High/Low
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]

GRAINS £/tonne

	Close	Previous	High/Low
Wheat	[illegible]	[illegible]	[illegible]
Barley	[illegible]	[illegible]	[illegible]

POTATOES £/tonne

	Close	Previous	High/Low
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aluminium, 99.5% purity (£ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Grade A (£ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Standard (£ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Silver (US cents/fine ounce)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lead (£ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zinc (£ per tonne)						
Cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	[illegible]

WOOL

Sharp wool price rises were checked at closing Australian sales last week, and the market there this week shows signs of further easing at least for finer Merinos most affected by volatility. Crossbreds meanwhile remain firm or slightly dearer. Market activity in Bradford improved just about the latest jump in prices but the subsequent downturn has brought new business to a halt. Bradford prices for tops are nominally little changed, and for the Merinos still do not fully reflect replacement costs, but some adjusting is inevitable. The UK industry is generally busy although pressure for deliveries is not as great as it was a month or so ago.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fix	[illegible]	[illegible]
Afternoon fix	[illegible]	[illegible]
Day's high	[illegible]	[illegible]
Day's low	[illegible]	[illegible]

Coins	$ price	£ equivalent
US Eagle	[illegible]	[illegible]
Maple leaf	[illegible]	[illegible]
Britannia	[illegible]	[illegible]
Krugerrand	[illegible]	[illegible]
1/2 Krug	[illegible]	[illegible]
1/4 Krug	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

Silver fix	p/fine oz	US cts equiv
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls			Puts		
Strike price $ tonne	May	July		May	July	
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	
Copper (Grade A)	Calls			Puts		
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	

INDICES

REUTERS (Base: September 18 1931 = 100)				
Apr 28	Apr 25	mnth ago	yr ago	
[illegible]	[illegible]	[illegible]	[illegible]	

DOW JONES (Base: December 31 1974 = 100)				
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

Precious metals firmed in early trading as dealer buying prompted local buying which in turn touched off light stops, reports Drexel Burnham Lambert. In silver, position squaring in the May contract was noted, with traders rolling forward into the July contract. Gains were extended as the energy complex opened firm, but the markets fell back on commission house selling to end the day. Energy futures were firm in early trading, despite an increase in crude oil stocks as reported by the A.P.I., mainly on speculative concerning the current O.P.E.C. meeting. In quiet volume, however, the markets eased to finish lower on profittaking and mixed liquidation. Coffee almost reached new life of contract lows as speculative long-liquidation and short-selling eased prices. Sugar opened on the defensive, but found trade support at lower levels before producer selling took prices back down to the middle of the day's range. Cocoa fell with long-liquidation. Cattle futures rallied sharply on reports that the marketing figure in the recent cattle-on-feed report was erroneous, in addition, cash prices were higher. Live hogs and bellies both rallied in response to cattle and their own cash markets. Professional buying firmed corn futures. Wheat was narrowly-traded, but found support from the on-going Egyptian tender. Meal derived strength from spread buying against the soyoil, while soybeans derived continued support from reports of possible weather damage in South America, although profittaking held the advance.

New York

GOLD 100 troy oz; $/troy oz	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz	Close	Previous	High/Low
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

ALUMINIUM (99.5%)	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound lack direction

THE DOLLAR closed little changed in Europe, after a very quiet day. There were no new factors, with Tuesday's figures on first quarter US GNP growth leaving the market rather confused.

Once again dealers decided to look towards the next important US economic release before deciding on the direction of the dollar. This is likely to be the March trade figures, around the middle of next month, but may meet with the same response, unless the result is a very big surprise.

Yesterday's announcements that March US personal income rose 0.8 p.c., with personal consumption increasing 0.7 p.c., were slightly above the general level of forecasts, but received scant attention in the market.

The dollar closed unchanged at DM1.6750, but rose to Y125.05 from Y124.75, and to SFr1.3875 from SFr1.3865. It fell slightly to FFr5.6850 from FFr5.69.

On Bank of England figures the dollar's exchange rate index rose to 92.7 from 92.5.

STERLING - Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. March average 1.8332. Exchange rate index was unchanged at 78.2, compared with 74.1 six months ago.

Sterling was no more active than the dollar, but tended to edge higher on speculation that a meeting taking place in Vienna between Opec and other oil producers would result in an agreement to control production.

Dealers were reluctant to commit themselves, ahead of tomorrow's UK trade figures for March. Forecasts for the trade figures vary widely. City opinion tends to favour an improvement on the February visible deficit of £1.32bn, and the current account shortfall of £720m, but the market fears that disappointing figures could be used as an excuse to sell the pound.

Sterling rose 20 points to $1.8770, and also improved to DM3.1450 from DM3.14; to Y234.75 from Y234; to SFr2.6050 from SFr2.60; and to FFr10.67 from FFr10.6650.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 148.7 against 147.9 six months ago.

The D-Mark eased a little against the dollar in Frankfurt. The dollar closed at DM1.6795, compared with DM1.6730 previously. The market was very dull.

West Germany's gross currency reserves rose DM800m to DM117.3bn in the week ended April 23, indicating intervention by the Bundesbank to support the dollar.

The Bundesbank did not intervene when the dollar was fixed at DM1.6789 yesterday, compared with DM1.6725 on Tuesday.

In Paris the foreign exchange market continued to take a calm view of the presidential election. A return to office for President Mitterrand, in the final round of presidential elections on May 8, is now widely discounted.

The French franc improved against the D-Mark at the Paris fixing. The D-Mark was set at FFr3.3920, compared with FFr3.3868 on Tuesday.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 244.6 against 221.9 six months ago.

The yen slipped a little against the dollar in Tokyo, but trading was quiet. The dollar touched a peak of Y125.25, on fears of rising tension in the Middle East, after Saudi Arabia announced it was breaking off diplomatic relations with Iran.

But at this level the US currency attracted keen selling, pushing it back to close at Y125.00, compared with Y124.55 on Tuesday.

£ IN NEW YORK

Apr.27	Latest	Previous Close
£ Spot	1.8775-1.8785	1.8755-1.8785
1 month	0.16-0.14pm	0.17-0.14pm
3 months	0.40-0.36pm	0.50-0.36pm
12 months	1.50-1.40	1.95-1.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.27	Previous
8.30 am	78.2	78.1
9.00 am	78.3	78.2
10.00 am	78.2	78.2
11.00 am	78.2	78.3
Noon	78.2	78.3
1.00 pm	78.1	78.3
2.00 pm	78.1	78.3
3.00 pm	78.2	78.3
4.00 pm	78.2	78.2

CURRENCY RATES

Apr.27	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.735968	0.661012
U.S Dollar	6	1.38281	1.24642
Canadian $	8.75	1.69906	1.51771
Austrian Sch.	3	16.2563	14.5972
Belgian Franc	6½	48.3049	43.4170
Danish Krone	7½	8.90115	7.98853
Deutsche Mark	2½	2.31275	2.07620
Neth.Guilder	3¼	2.59346	2.32818
French Franc	9½	7.85644	7.04390
Italian Lira	12½	1719.73	1543.06
Japanese Yen	2½	172.381	154.763
Norway Krone	8	8.53332	7.63858
Spanish Peseta	-	152.541	137.119
Swedish Krona	7½	8.11640	7.27697
Swiss Franc	2½	1.91312	1.71925
Greek Drach.	20½	185.649	166.495
Irish Punt	-	0.865446	0.777233

*All SDR rates for Apr.26

CURRENCY MOVEMENTS

Apr.27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.2	-14.9
U.S Dollar	92.7	-14.4
Canadian Dollar	81.6	-4.9
Austrian Schilling	139.5	+10.5
Belgian Franc	100.3	-5.1
Danish Krone	92.3	+1.2
Deutsche Mark	148.7	+22.5
Swiss Franc	175.6	+23.4
Guilder	137.7	+15.2
French Franc	71.2	-14.8
Lira	46.3	-20.1
Yen	244.6	+83.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates for Apr.26

OTHER CURRENCIES

Apr.27	£	$
Argentina	11.2415-11.3040	6.0100-6.0400
Australia	2.4780-2.4810	1.3420-1.3430
Brazil	247.60-248.90	132.35-133.00
Finland	7.4925-7.5060	4.0030-4.0050
Greece	250.10-254.50	133.40-135.60
Hong Kong	14.6260-14.6435	7.8165-7.8175
Iran	125.30*	66.00*
Korea(Sth)	1382.55-1395.65	737.50-743.40
Kuwait	0.51220-0.51270	0.27380-0.27390
Luxembourg	65.85-65.95	35.05-35.15
Malaysia	4.8215-4.8335	2.5768-2.5785
Mexico	4255.40-4276.40	2275.00-2285.00
N. Zealand	2.7980-2.8030	1.4950-1.4970
Saudi Ar.	7.0180-7.0240	3.7510-3.7520
Singapore	3.7510-3.7565	2.0030-2.0050
S. Af (Cm)	4.0265-4.0380	2.1515-2.1530
S. Af (Fn)	5.3150-5.4305	2.8370-2.8985
Taiwan	53.50-53.80	28.60-28.70
U.A.E.	6.8710-6.8770	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4170	+2.26	+0.94	±1.5344
Danish Krone	7.85212	7.98853	+1.74	+0.42	±1.6404
German D-Mark	2.05853	2.07620	+0.86	-0.46	±1.0981
French Franc	6.90403	7.04390	+2.03	+0.71	±1.3674
Dutch Guilder	2.31943	2.32818	+0.38	-0.94	±1.5012
Irish Punt	0.768411	0.777233	+1.15	-0.17	±1.6684
Italian Lira	1483.58	1543.06	+4.01	+3.22	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Apr.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8675-1.8780	1.8765-1.8775	0.16-0.13cpm	0.93	0.52-0.47pm	1.05
Canada	2.2980-2.3065	2.3050-2.3060	0.14-0.24cdis	-0.99	0.33-0.46dis	-0.69
Netherlands	3.51¾-3.53	3.52-3.53	1¼-1⅛cpm	4.26	4-3¾pm	4.33
Belgium	65.55-65.95	65.85-65.95	23-12cpm	3.19	68-52pm	3.64
Denmark	12.07¼-12.11¾	12.10¼-12.11¼	⅞-2⅞oredis	-1.67	2¾-4½dis	-1.20
Ireland	1.1735-1.1790	1.1775-1.1785	0.10-0.20pdis	-1.59	0.30-0.45dis	-1.27
W. Germany	3.13¾-3.14½	3.14¼-3.14½	1½-1¼pfpm	5.01	3¾-3½pm	4.77
Portugal	255.45-257.10	256.00-257.00	52-98cdis	-3.51	183-284dis	-3.64
Spain	207.05-207.85	207.65-207.95	35-50cdis	-3.46	105-121dis	-2.18
Italy	2330¼-2338¼	2337¼-2338¼	2-6liredis	-2.05	11-16dis	-2.31
Norway	11.55¼-11.58¾	11.57¼-11.58¼	5¾-6¾oredis	-5.90	15¼-16½dis	-5.48
France	10.64-10.68	10.66½-10.67½	½pm-½cdis	-0.07	½pm-½dis	-
Sweden	11.00¼-11.03¾	11.02¼-11.03¼	1¼-2oredis	-1.77	3¼-4½dis	-1.40
Japan	233¼-235½	234¼-235¼	1-¾ypm	4.47	2¾-2½pm	4.37
Austria	22.06-22.17	22.07-22.10	8¾-7¼gropm	4.28	24¾-21¾pm	4.47
Switzerland	2.59½-2.61	2.60-2.61	1¼-1⅛cpm	6.33	4¼-3¾pm	6.05

Belgian rate is convertible francs. Financial franc 66.30-66.40. Six-month forward dollar 1.07-1.02cpm 12 month 2.10-2.00cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8675-1.8780	1.8765-1.8775	0.16-0.13cpm	0.93	0.52-0.47pm	1.05
Ireland†	1.5900-1.5965	1.5940-1.5950	0.05-0.15cdis	-0.75	0.15-0.30dis	-0.57
Canada	1.2255-1.2290	1.2280-1.2290	0.18-0.21cdis	-1.91	0.52-0.55dis	-1.74
Netherlands	1.8765-1.8840	1.8780-1.8790	0.50-0.46cpm	3.12	1.51-1.47pm	3.17
Belgium	34.95-35.15	35.05-35.15	5-3cpm	1.37	12-9pm	1.20
Denmark	6.44½-6.46¼	6.44¼-6.45¼	0.95-1.55oredis	-2.32	3.45-4.05dis	-2.32
W. Germany	1.6725-1.6800	1.6745-1.6755	0.56-0.53pfpm	3.89	1.59-1.54pm	3.73
Portugal	136¾-137½	137-137¼	45-65cdis	-4.81	140-190dis	-4.81
Spain	110.55-111.05	110.65-110.75	22-32cdis	-2.92	75-85dis	-2.89
Italy	1244-1249¼	1245¼-1245¾	2.50-3.50liredis	-2.88	9.70-11.70dis	-3.43
Norway	6.16½-6.18	6.16½-6.17	3.45-3.80oredis	-7.05	10.05-10.45dis	-4.64
France	5.67½-5.70¼	5.68¼-5.68¾	0.40-0.60cdis	-1.05	1.45-1.75dis	-1.12
Sweden	5.87-5.89	5.87½-5.88	1.25-1.45oredis	-2.75	3.55-3.85dis	-2.51
Japan	124.90-125.35	125.00-125.10	0.37-0.32ypm	3.31	1.04-0.99pm	3.24
Austria	11.77¾-11.81	11.80-11.80½	3.50-3.20gropm	3.41	9.80-8.80pm	3.15
Switzerland	1.3870-1.3915	1.3870-1.3880	0.64-0.59cpm	5.31	1.77-1.72pm	5.02

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.30-35.40.

EURO-CURRENCY INTEREST RATES

Apr.27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7⅛-7	7⅝-7½	8⅛-8	8⅜-8¼	8⅝-8½	9⅛-9
US Dollar	6⅝-6½	6¾-6⅝	7⅛-6⅞	7⅜-7¼	7⅝-7½	7⅞-7¾
Can. Dollar	8½-8¼	8½-8¼	8¾-8½	8⅞-8¾	9¼-9⅛	9½-9¼
D. Guilder	4-3¾	4-3¾	4-3¾	4⅛-3⅞	4⅜-4¼	4⅝-4½
Sw. Franc	1-0	1¾-1½	2-1¾	2⅜-2¼	2¾-2⅝	2⅞-2¾
Deutschmark	3½-3¼	3½-3¼	3½-3¼	3⅝-3½	3⅞-3¾	3⅞-3¾
Fr. Franc	7⅝-7⅜	7⅞-7⅝	8⅛-7⅞	8⅜-8¼	8⅝-8¼	8⅝-8½
Italian Lire	10-8	9-8	9½-9	10⅝-10⅛	10⅝-10⅛	11⅛-10⅝
B. Fr. (Fin)	5¾-5½	6⅛-5⅞	6¼-6	6¼-6	6½-6¼	6¾-6½
B. Fr. (Con.)	6-5½	6¼-5¾	6¼-5⅞	6¼-5⅞	6½-6	6¾-6
Yen	4¼-4	3⅞-3¾	3⅞-3⅝	4⅛-3⅞	4⅜-4¼	4⅝-4⅜
D. Krone	9¾-9	9⅛-8¾	9¼-8⅞	9⅝-9⅛	9⅝-9⅛	10-9⅝
Asian $Sing	6⅝-6½	6⅝-6½	7⅛-7	7½-7¼	7⅝-7½	7⅞-7¾

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8⅝-8½ per cent; four years 9-8⅞ per cent; five years 9¼-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr.27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.877	3.145	234.8	10.67	2.605	3.525	2338	2.306	65.90
$	0.533	1	1.676	125.1	5.685	1.388	1.878	1246	1.229	35.11
DM	0.318	0.597	1	74.66	3.393	0.828	1.121	743.4	0.733	20.95
YEN	4.259	7.994	13.39	1000.	45.44	11.09	15.01	9957	9.821	280.7
F Fr.	0.937	1.759	2.948	220.1	10.	2.441	3.304	2191	2.161	61.76
S Fr.	0.384	0.721	1.207	90.13	4.096	1	1.353	897.5	0.885	25.30
H Fl.	0.284	0.532	0.892	66.61	3.027	0.739	1	663.3	0.654	18.70
Lira	0.428	0.803	1.345	100.4	4.564	1.114	1.508	1000.	0.986	28.19
C $	0.434	0.814	1.364	101.8	4.627	1.130	1.529	1014	1	28.58
B Fr.	1.517	2.848	4.772	356.3	16.19	3.953	5.349	3548	3.499	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

No incentive to trade

FINANCIAL FUTURES lacked any incentive to trade yesterday. The Liffe market was very dull, and traders were not sure that Friday's UK trade figures would provide any great surge of activity.

It was pointed out that the announcement of the trade balance for March will be made only a few hours before London takes a long weekend break for May Day, and that dealers were unlikely to take out large positions in the knowledge that US and Continental markets will be trading on Monday.

Large swings in the trade figures over recent months have also made the City reluctant to place too much faith in forecasts.

The general level of expectations ranges from a current account deficit of £400m to £600m, but many traders fear this does not fully represent the wide degree of uncertainty in the figures.

This led to the somewhat tortuous argument that it will be surprising if the market is not surprised by the outcome.

Against this background dealers expect the general mood of tedium to continue today.

Long term gilts traded less than 18,000 contracts on Liffe. The June contract closed at 120-16, midway between Tuesday's close of 120-13 and yesterday's opening level of 120-19.

June three-month sterling deposits finished unchanged at 91.24, after an equally dull day.

US Treasury bonds for June delivery closed just above the day's low, at 88.17, compared with 88.27 previously. In a market lacking other factors, traders looked towards the talks between oil producers in Vienna.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE $/£ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT [illegible]

7-10 YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BONDS [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

THREE-MONTH STERLING [illegible]

THREE-MONTH EURODOLLAR [illegible]

US TREASURY BONDS [illegible]

FT-SE 100 INDEX [illegible]

CURRENCY FUTURES

Estimated Volume 0(0)
Previous day's open int. 194(194)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8770	1.8756	1.8721	1.8666	1.8565

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.8690	1.8715	1.8655	1.8715
Sep	1.8632	1.8640	1.8598	1.8640
Dec	1.8592	1.8592	1.8590	1.8600

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

MONEY MARKETS

Ample credit supply

TRADING ON the London money market was very quiet, as dealers became increasingly nervous about the UK trade figures, to be released on Friday.

Sterling was equally quiet on the foreign exchanges, and failed to provide any inspiration, with the futures market also lacking direction.

The early trend was encouraging in sterling interest rate contracts on Liffe, but the market failed to sustain its initial gains, leading to a general mood of caution.

UK clearing bank base lending rate 8 per cent since April 11

Dealers noted that the three-month sterling futures contract has fallen recently and shows a marked change in sentiment. It now discounts a rise in UK bank base rates.

As the cash market drifted aimlessly, three-month sterling interbank touched 8⅝-8½ p.c., but finished unchanged at 8⅜-8¼ p.c.

The day-to-day credit position on the money market continued to improve. The Bank of England initially forecast a money market surplus of £200m, but revised this to a flat position at noon.

The authorities did not intervene in the market during the day.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £278m, with a rise in the note circulation absorbing £125m. These were roughly balanced by Exchequer transactions adding £590m to liquidity, and bank balances above target of £25m.

In New York the US Federal Reserve added temporary reserves to the banking system, via six-day system repurchase agreements.

An addition of liquidity was expected to offset a drain on bank reserves, caused by rising Treasury balances at the central bank.

Federal funds were trading at 6⅝ p.c. when the Fed acted, down from the opening level of 6¾ p.c. Traders believe the authorities wish to keep Federal funds within a range of 6½ p.c. to 6¾ p.c. The average level on Tuesday was 6.61 p.c.

In Frankfurt call money eased to 3.275 p.c. from 3.30 p.c., with banks well supplied with liquidity. Banks reserve holdings at the Bundesbank were DM44.6bn on Monday, unchanged from Friday. Reserve holdings averaged DM54bn during the first 25 days of April, compared with the official minimum requirement of DM53.2bn for the whole month.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.27) 3 months US dollars		6 months US Dollars	
bid 7¼	offer 7⅜	bid 7⅝	offer 7¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.34	Three year	7.84
Broker loan rate	7¾-8	Two month	5.64	Four year	8.09
Fed.funds	6⅝-8	Three month	6.07	Five year	8.24
Fed.funds at intervention	-	Six month	6.54	Seven year	8.58
		One year	7.00	10-year	8.79
		Two year	7.62	30-year	9.03

Apr.27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.25-3.30	3.25-3.35	3.30-3.40	3.30-3.45	3.35-3.50	4.50
Paris	7⅛-7¼	7⅜-7⅞	7⅞-7⅞	7⅞-8⅛	8⅛-8⅛	7.25
Zurich	1½-1¼	1½-2⅛	-	2-2¼	-	-
Amsterdam	3¼-3⅜	3⅝-4⅛	-	4-4⅛	-	-
Tokyo	3.40625	3.84375	-	3.90625	-	-
Milan	9⅞-10⅞	10-10½	-	10½-11	-	-
Brussels	5.45	6-6⅛	-	6⅛-6⅛	-	-
Dublin	7¼-8	8-8¼	8-8¼	8-8¼	8½-8¾	-

LONDON MONEY RATES

Apr.27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7⅞	7⅞	8⅛	8⅜	8⅝	9⅛
Interbank Bid	2	7¾	7⅞	8¼	8½	9
Sterling CDs	-	-	7⅞	8¼	8½	8⅞
Local Authority Deps.	6¼	7½	7⅞	8¼	8½	9
Local Authority Bonds	-	-	8⅛	8⅜	8⅝	9⅛
Discount Mkt Deps.	7	7⅜	7⅞	7⅞	-	-
Company Deposits	7⅞	7½	8	8⅜	8⅝	9⅛
Finance House Deposits	-	-	7⅞	8¼	8½	9⅛
Treasury Bills (Buy)	-	-	7¾	7⅞	-	-
Bank Bills (Buy)	-	-	7⅞	7⅞	8⅛	-
Fine Trade Bills (Buy)	-	-	8¼	8⅜	8⅝	-
Dollar CDs	-	-	6.95-6.90	7.05-7.00	7.30-7.25	7.70-7.65
SDR Linked Dep Offer	-	-	5¾	6⅛	6⅜	6½
SDR Linked Dep Bid	-	-	5½	5⅞	5⅞	6¼
ECU Linked Dep Offer	-	-	6⅛	6⅜	6⅝	6¾
ECU Linked Dep Bid	-	-	6	6¼	6½	6⅝

Treasury Bills (sell); one-month 7⅞ per cent; three months 7¾ per cent; Bank Bills (sell); one-month 7⅞ per cent; three months 7⅞ per cent; Treasury Bills; Average tender rate of discount 7.6536 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1988. Agreed rates for period April 26, 1988 to May 24, 1988, Scheme I: 10.38 p.c. Schemes II & III: 10.17 p.c. Reference rate for period Mar.1, 1988 to March 31, 1988, Scheme IV: 8.931 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from April 1, 1988: Bank Deposit Rates for sums at seven days notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7¾ per cent; one-three months 8¼ per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7½ per cent from Mar 14, 1988. Deposits withdrawn for cash 5.00 per cent.

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$440	47	15	8	27	-	-	$450.30
GOLD C	$460	28	4.40	12	16	19	25	$450.30
GOLD C	$520	-	-	130	2.50	-	-	$450.30
GOLD P	$400	100	0.30	-	-	-	-	$450.30
GOLD P	$440	20	3	30	8.70	-	-	$450.30
GOLD P	$460	-	-	-	-	25	19.50	$450.30
GOLD P	$480	1	30 A	-	-	25	31	$450.30
		May 88		Jun 88		Jul. 88		
EOE Index C	Fl. 190	41	20 B	65	21	-	-	Fl. 211.90
EOE Index C	Fl. 200	82	12	-	-	-	-	Fl. 211.90
EOE Index C	Fl. 210	30	5.40	10	8	1	10.40	Fl. 211.90
EOE Index C	Fl. 215	77	3	7	6.20	-	-	Fl. 211.90
EOE Index C	Fl. 220	18	1.90	21	4.50	-	-	Fl. 211.90
EOE Index P	Fl. 185	25	0.80	-	-	-	-	Fl. 211.90
EOE Index P	Fl. 190	47	1.20	12	3.30	-	-	Fl. 211.90
EOE Index P	Fl. 195	51	1.50	12	4.10	-	-	Fl. 211.90
EOE Index P	Fl. 200	75	2.70	17	5.70	22	8	Fl. 211.90
EOE Index P	Fl. 205	121	3.80	57	8	-	-	Fl. 211.90
EOE Index P	Fl. 210	65	6.60	31	10.20	-	-	Fl. 211.90
EOE Index P	Fl. 215	100	9.50	-	-	-	-	Fl. 211.90
S/Fl C	Fl. 190	-	-	70	1.40	2	2.20 B	Fl. 188.30
S/Fl P	Fl. 190	130	2.50	2	4 A	-	-	Fl. 188.30
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 40	386	1.10	70	2	12	2.50 B	Fl. 39.30
ABN P	Fl. 40	14	2.40	173	4.20	6	4.20	Fl. 39.30
AEGON C	Fl. 75	96	3	12	4.20	-	-	Fl. 75
AEGON P	Fl. 70	65	1.80 B	15	3.40	-	-	Fl. 75
AHOLD C	Fl. 75	68	1.40 A	5	3	-	-	Fl. 71.90
AHOLD P	Fl. 65	28	1.30	-	-	-	-	Fl. 71.90
AKZO C	Fl. 110	894	4.80	52	7.80	33	10.10	Fl. 111.20
AKZO P	Fl. 100	256	3.40	29	6	-	-	Fl. 111.20
AMEV C	Fl. 50	202	3.60	22	4.70 A	-	-	Fl. 52
AMEV P	Fl. 50	10	3.30	28	4.30	100	5.50	Fl. 52
AMRO C	Fl. 65	32	3.50	7	4.50	28	6	Fl. 66
AMRO P	Fl. 65	-	-	-	-	25	4.20	Fl. 66
BUHRMANN-T C	Fl. 45	35	2.20	17	3.70	10	5.30	Fl. 45.70
BUHRMANN-T P	Fl. 45	31	3	14	3.70	-	-	Fl. 45.70
ELSEVIER C	Fl. 45	205	7	10	8	-	-	Fl. 51.10
ELSEVIER P	Fl. 50	166	2	-	-	-	-	Fl. 51.10
GIST-BROC C	Fl. 40	185	1	68	2.20	5	2.70	Fl. 34.80
GIST-BROC P	Fl. 35	177	3.30	80	4	7	4.80	Fl. 34.80
HEINEKEN C	Fl. 140	87	1.90	-	-	103	6.20	Fl. 130.50
HEINEKEN P	Fl. 120	2	3	-	-	103	6.20	Fl. 130.50
HOOGOVENS C	Fl. 40	527	3	122	4.30	54	5.50	Fl. 40.10
HOOGOVENS P	Fl. 35	106	1.20	61	2.20	-	-	Fl. 40.10
KLM C	Fl. 40	837	0.90	27	1.60	15	2.40	Fl. 35.40
KLM P	Fl. 30	310	0.50	4	1.50 A	5	2.30	Fl. 35.40
KNP C	Fl. 130	86	6.30	-	-	11	12.30	Fl. 129.50
KNP P	Fl. 130	17	5.30	-	-	-	-	Fl. 129.50
NEDLLOYD C	Fl. 250	65	15.10 B	28	23.50	-	-	Fl. 250.30
NEDLLOYD P	Fl. 230	54	10.70	1	17	20	21.10	Fl. 250.30
NAT.NED. C	Fl. 60	54	2.10	99	3.30	5	4.50	Fl. 59.40
NAT.NED. P	Fl. 55	46	1.50	3	2.80	5	4.20	Fl. 59.40
PHILIPS C	Fl. 30	340	1	78	2.10	113	2.50	Fl. 28.40
PHILIPS P	Fl. 30	9	2.40	175	3.10	-	-	Fl. 28.40
ROYAL DUTCH C	Fl. 230	729	6.20	90	8.50	2	11	Fl. 232.20
ROYAL DUTCH P	Fl. 220	228	5.20	8	9.90	10	11.50	Fl. 232.20
UNILEVER C	Fl. 120	367	1.90	88	4	12	6	Fl. 112.60
UNILEVER P	Fl. 100	241	1.80	1	4.30	5	6.30	Fl. 112.60

TOTAL VOLUME IN CONTRACTS : 21,283

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

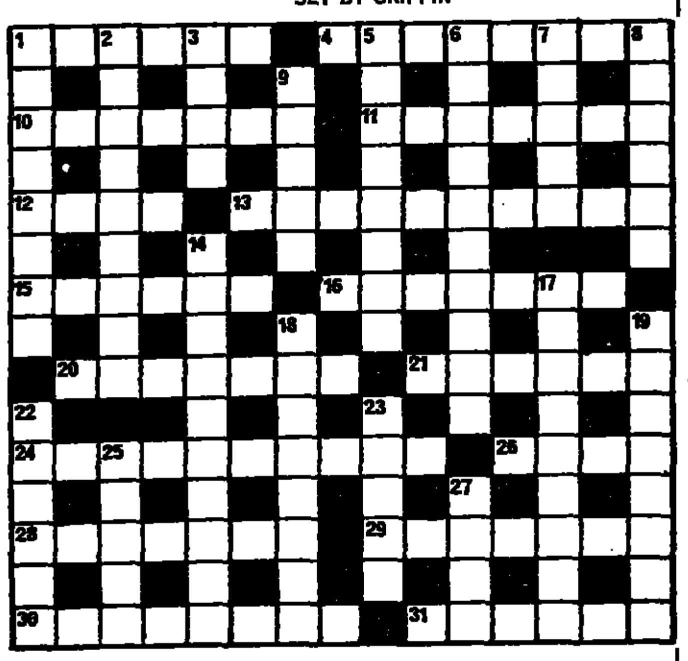
	%
ABN Bank	8
Adam & Company	8
AAB - Allied Arab Bk	8
Allied Irish Bank	8
Henry Ansbacher	8
ANZ Banking Group	8
Associates Cap Corp	10
Authority Bank	8
B & C Merchant Bank	8
Banco de Bilbao	8
Bank Hapoalim	8
Bank Leumi (UK)	8
Bank Credit & Comm	8
Bank of Cyprus	8
Bank of Ireland	8
Bank of India	8
Bank of Scotland	8
Banque Belge Ltd	8
Barclays Bank	8
Benchmark Bank PLC	8
Berliner Bank AG	8
Brit Bk of Mid East	8
● Brown Shipley	8
Business Mtge Tst	8½
Cl. Bank Nederland	8
Central Capital	8
● Charterhouse Bank	8
Citibank NA	8
City Merchants Bank	8
Clydesdale Bank	8
Comm. Bk. N. East	8
Co-operative Bank	*8
Cyprus Popular Bk	8
Dunbar Bank PLC	8
Duncan Lawrie	8
Equatorial Bank plc	8½
Exeter Trust Ltd	8½
Financial & Gen. Sec	8
First Nat. Sec. Ltd.	9½
● Robert Fleming & Co.	8
Robert Fraser & Ptnrs.	9
Girobank	8
Grindlays Bank	8
● Guinness Mahon	8
HFC Bank PLC	8
● Hambros Bank	8
Heritable & Gen Inv Bk	8
● Hill Samuel	§8
C. Hoare & Co.	8
Hongkong & Shangh	8
Lloyds Bank	8
Meghraj Bank Ltd	8
Midland Bank	8
Mount Bnkg Corp.	8
Nat Bk. of Kuwait	8
NatWestminster	8
Northern Bank Ltd	8
Norwich Gen. Trust	8
PK Finans. Int(UK)	9
Provincial Bank PLC	9½
R. Raphael & Sons	8
Roxburghe G'rantee	9½
Royal Bk of Scotland	8
Royal Trust Bank	8
Smith & Wilmsn Secs.	8
Standard Chartered	8
TSB	8
UDT Mortgage Exp	‡9.4
United Bk of Kuwait	8
United Mizrahi Bank	8
Unity Trust Bank Plc	8
Western Trust	8
Westpac Bank Corp.	8
Whiteaway Laidlaw	8½
Yorkshire Bank	8

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.625% - 10%

JOTTER PAD

FT CROSSWORD No.6,617

SET BY GRIFFIN



ACROSS

1 Writes things about street restaurant (6)
4 Scurf on dress a student finds derisory (8)
10 Justify need to include a Rolls Royce (7)
11 George's first to drop off, hoping for a pain killer (7)
12 Pine from end to end (4)
13 Top MO in new hospital is all-powerful (10)
15 Len could be first to sign on (6)
16 Declined to have Russian blend brought in (7)
20 Taught man to swallow water (7)
21 Is always coming back round for change (6)
24 Possibly father will take back post in legislative body (10)
26 Drop doctor back to get it (4)
28 Deliver impassioned speech for medical assembly (7)
29 Get mum to ring about rent being cut (7)
30 Police officer Green sat shaking (8)
31 Nursery in an Indian church (6)

DOWN

1 Confuse porter with angry interjection (8)
2 Murderer of foreigner (50) is imprisoned (9)
3 About six months back (4)
5 Musician takes wine home in it (8)
6 Duplicated and distributed procedure 500 (10)
7 Around midnight look out for smithy (5)
8 Stretch, then turn left before going round Gateshead (6)
9 Die lifting rugs on to piano (5)
14 Siam is terribly slow to adjust (10)
17 Puzzling note with new version I'm acting (9)
18 Sailor, hiding inside, overwhelms manager (8)
19 A few words which might be pronounced (8)
22 Passed design for suit (6)
23 Grind the big end Hans worked on (5)
25 Return to mind dog after Elizabeth turned up (5)
27 Number in favour of accepting union leader (4)

Solution to Puzzle No.6,616

REPORTER MASCOT
E E E S D O H
DYNAMITE DJINNI
A T A I U T R
CHARISMA ASPECT
T O N A A T N E
STAGBEETLE
A C M I G R S N
SCOREBOARD
P N A N E P S C
INTEND ASTONISH
R R T S L L I
ABATIS DILIGENT
T S M O C N O
ESTEEM UNBEATEN

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	206.1	219.3	+2.7	2.68
UK Smllr Cos Eqty	209.5	222.9	+1.0	2.05
UK Spec Sits	62.1	66.1	+0.4	3.02
Income Plus	53.5	57.0	+0.4	5.12
European	159.6	169.8	+0.6	1.15
Far Eastern	52.9	56.3	-0.1	2.08
Japanese †	57.1	60.8	-0.3	—
North American	109.5	116.5	+0.9	1.54
Intl Growth	108.7	115.7	+0.2	0.92
Worldwide Venture	53.0	56.4	+0.2	2.31

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-558 2341/2/3

Equity Growth Acc	17.65	18.89	+0.03	3.15
Equity Growth Inc	17.48	18.71	+0.04	3.15
Intl Growth Acc	17.21	18.42	+0.14	1.73
Intl Growth Inc	17.11	18.31	+0.13	1.73
Global Income Acc	18.67	19.98	+0.06	5.60
Global Income Inc	18.67	19.98	+0.06	5.60
Market Leaders Acc	16.52	17.68	+0.10	3.53
Market Leaders Inc	16.29	17.44	+0.10	3.53

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	84.4	89.6	-0.2	0.00
Income	53.6	57.0	+0.4	4.30
European (z)	34.2	36.4	+0.3	1.16
Nth American (z)	27.4	29.1	+0.2	0.78
Intl Growth	440.3	468.4xd	+2.7	1.95
Gwth & Recovery	47.2	50.1	+0.1	2.46

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-668 3724

Peg Equity Acc	323.6	344.4	-3.2	3.52
Peg Equity Inc	268.4	285.6	+2.6	3.52
Peg High Inc Acc	162.1	172.5	+0.3	4.51
Peg High Inc	149.8	159.4	+0.3	4.51
Peg Europe Acc	118.8	126.5	+4.0	1.64
Peg Europe Inc	117.6	125.2	+4.0	1.64
Peg Nth Amer	85.3	90.8	+0.6	1.63
Peg Nth Amer Inc	83.6	89.0	+0.6	1.63
Peg Pacific Acc	237.9	253.2	-1.5	—
Peg Global Acc	121.9	129.8	+2.7	2.37
Peg Global Inc	119.5	127.2	+2.8	2.37

Sentinel Funds Mngmnt Ltd

[illegible]

Vanguard Trust Managers Ltd – Contd.

Growth	215.0	228.7	+1.1	2.57
(Accum Units)	324.3	345.0	+1.8	2.57
High Yield	270.6	287.9	+2.5	4.43
(Accum Units)	290.1	308.6	+2.4	4.43
Special Sits	53.3	56.7	+0.3	2.47
(Accum Units)	55.0	58.5	+0.3	2.47
Trustee	157.8	167.9xd	+1.6	4.19
(Accum Units)	256.2	272.6	+2.7	4.19
European Inc	36.1	38.4	+0.2	0.72
(Accum Units)	36.9	38.6	+0.2	0.72

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-374 0861

American	50.1	53.5	+0.3	1.5
Intl Growth	65.7	69.5	—	0.4
Income	112.6	120.5xd	+0.2	5.5
Japan Growth	184.3	197.2	-1.5	0.1
Pacific Perf	115.5	122.3	-0.6	0.4
Small Co's	140.9	150.7	+0.3	1.5
Technology	32.6	34.8xd	+0.3	0.1
Australia	48.7	52.1	-0.2	1.3
UK Trust	160.0	169.3	+1.6	2.7
European Growth	41.0	43.3	+0.1	0.1
Hong Kong	25.9	27.4xd	—	1.2
Intl Income	20.3	21.6	+0.2	8.5
S'pore & Mlysa Gth	18.1	19.2	-0.2	1.0
British Winners	25.2	26.9xd	+0.2	4.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.0	19.1	—	0.2
Pacific Basin	22.3	23.7	—	0.1
Can Balncd Gwth	45.7	48.6	+0.4	0.6
Canadian Max	97.8	101.8	+0.1	8.6
Penny Share	27.6	29.3	+0.1	0.5

Wellington Fund Mngrs Ltd
Hibernia Chmbrs, 2, London Bridge, SE1 01-403 5188

Wellington Income	107.5	114.3xd	—	3.82
Wellington Growth	163.7	174.2xd	—	1.35

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	94.0	98.0	+0.8

Whittingdale Unit Trust Management Ltd

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INSURANCES

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Continued on next page

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Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	378.4	398.5	—	–
Eb'r Ph. Eq.	330.4	351.4	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc	167.2	175.9	+1.8	–
International Acc	125.9	132.5	+0.4	–
Property Acc	130.1	136.9	+2.2	–
Fixed Interest Acc	155.4	163.5	.....	–
Money Acc	138.73	145.9	+0.1	–
Bldg. Soc. Link Acc	135.7	142.8	+0.1	–
Special Mnged Acc Q	147.6	155.3	+1.0	–
Phoenix/Framlington				
Intnl. Growth Acc	85.8	90.3	+0.3	–
Amer. & Gen. Acc	79.5	83.6	+0.5	–
Capital Tst. Acc	167.1	175.8	+0.5	–
Japan & Gen Acc	189.2	199.1	+1.5	–
American Turn Acc	83.1	87.4	+0.4	–
Recovery Tst. Acc	167.2	176.0	+0.7	–
Special Mngd Acc	141.4	148.8	+0.6	–
Phoenix/GT				
International Acc	121.5	127.8	+1.8	–
US & General Acc	84.5	88.9	+0.4	–
Amer Spec Sits Acc	63.8	67.1	+0.4	–
Japan & General Acc	189.1	199.0	+0.7	–
Far East & Gen. Acc	144.4	152.0	+0.7	–
UK Capital Acc	169.1	178.0	+1.2	–
European Acc	130.4	137.2	+0.8	–
Special Mngd. Acc	124.2	130.7	+0.6	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.6	276.5	+0.3	–
Man Pens Inc & Cap Fds	334.5	352.2	+0.6	–
Money Fund	112.2	118.2	+0.2	–
Pens. Mngd Fd (Unit)	82.2	86.6	+0.8	–
Pens Mngd Fd (Acc)	93.3	98.3	+1.1	–
Pens FT30 Fd (Unit)	126.2	132.9	.....	–
Pens FT30 Fd (Acc)	143.2	150.8	+0.2	–
Pens O'seas MgFd(Unit)	57.0	60.0	-0.5	–
Pens O'seas MgFd(Acc)	64.7	68.2	-0.3	–
Pens Fxd Int Fd (Unit)	106.1	111.7	-1.4	–
Pens Fxd Int Fd (Acc)	120.4	126.8	-1.4	–
Pens Deposit Fd (Unit)	101.2	106.6	.....	–
Pens Deposit Fd (Acc)	114.8	120.9	+0.2	–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	83.0	88.0	+2.0	–
Building Soc. Fd	160.0	169.0	...	–
Balanced	234.0	247.0	+1.0	–
Deposit	160.0	169.0	...	–
European	119.0	126.0	+1.0	–
GT Managed	147.0	155.0	+1.0	–
Gartmore Mngd	96.0	102.0	—	–
German	90.0	95.0	—	–
Gilt	166.0	175.0	—	–
High Inc	105.0	111.0	...	–
International Equity	148.0	156.0	+1.0	–
Japan	210.0	222.0	—	–
Managed	52.0	55.0	+1.0	–
Property	250.0	264.0	—	–
R W Imperial Gold	125.0	132.0	...	–
UK Equity	304.0	320.0	+3.0	–
Pension Funds				
American	84.0	89.0	—	–
Building Soc. Fd	151.0	159.0	—	–
Balanced	177.0	187.0	—	–
Deposit	149.0	157.0	—	–
European	118.0	125.0	—	–
GT Managed	150.0	158.0	—	–
Gartmore Mngd	94.99	102.0	—	–
German	86.0	91.0	—	–
Gilt	138.0	146.0	—	–
International Equity	101.0	107.0	—	–
Japan	132.0	139.0	—	–
Managed	52.0	55.0	—	–
Property	188.0	198.0	—	–
UK Equity	260.0	274.0	—	–

Prolific Life & Pensions Ltd (z)
Stramongate, Kendal, Cumbria LA9 4BE 0539 33733

Managed Fd	480.9	511.6	(z)	–
Cash Fd	215.9	227.6	(z)	–
Property Fund	252.3	265.9	(z)	–
Equity Fund	515.7	548.7	(z)	–
Fxd Int. Fund	290.2	305.9	(z)	–
International	225.0	239.4	(z)	–
High Income	392.6	417.7	(z)	–
Far East	356.3	379.1	(z)	–
North American	200.4	213.2	(z)	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH

Prudential Holborn Life Ltd
30 Old Burlington St., London W1X 1LB

Prudential Holborn Pensions Ltd
30 Old Burlington St., London W1X 1LB

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH

Regency Life Assurance Co Ltd
55-57 High Holborn, London WC1V

Reliance Mutual

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	.....	9.74	8.13
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	.....	3.02	6.21
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.46	8.48
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.26	8.65
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.43	8.67
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.10	6.13
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.33	8.89
102	[illegible]	Exch. 10pc 1989	[illegible]	[illegible]	9.87	8.86
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.71	8.90
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.17	7.31
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	9.95	8.15
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.22	8.87
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.65	8.94
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.79	8.98
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.22	6.65
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.32	8.49
[illegible]	[illegible]	Treas. 8pc Cv 1990	[illegible]	.....	7.99	7.94
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	9.80	9.04
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.26	6.46
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.06	9.07
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.09	7.88
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	.....	3.36	6.94
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.66	8.72
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.41	9.05
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.26	9.01
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	.....	11.45	9.09
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.71	9.05
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	.....	8.27	8.99
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.04	9.10
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.52	7.17
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.06	9.15
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	11.70	9.16

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
26⅞	23	TRW Inc. 62½c	23	–⅞	$1.60	–	3.8
25¾	21¼	Tenneco $5	23¼	+¼	$3.04	–	7.2
26⅛	19	Texaco $6.25	25	+¾	$3.00	–	6.3
52	43¼	Time Inc. $1	46⅝	.....	$1.00	–	1.2
20⅛	15⅞	Transamerica $1	17⅝	+⅛	$1.84	–	5.7
10¼	754p	Transworld Corp $5	941p	+9	20c	–	1.2
20¼	15	TRINOVA Corp.	17¼	+⅞	36c	–	1.8
19	15¼	USX $1	17	+⅜	$1.20	–	3.8
23	17⅝	Utd Technologies	21¼	+⅞	$1.60	–	4.1
31⅞	26⅞	US West	28⅞	+¼	$3.52	–	6.8
21¼	16⅞	Waste Management $1	18⅞	.....	36c	–	1.0
16¾	12⅞	Whirlpool $1	13⅞	+⅛	–	–	–
30⅛	18¼	Woolworth $3½	29⅝	–⅛	$1.64	–	3.0

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp	207p	–4	–	–	–
32p	13p	Abbot Energy Corp.	13p	.....	–	–	–
14¼	990p	Amer. Barrick Res.	11	.....	–	–	–
10p	3½p	American Lightwave	8½p	.....	–	–	–
47p	21½p	Armeno	24p	–1	–	–	–
76p	48p	Augmitto Expln.	51p	–1	–	–	–
12¼	10¼	Bk. Montreal	11⅛	.....	$2.00	–	7.8
595p	528p	Bk Nova Scot.	555p	+10	76c	–	6.0
17⅛	15¼	BCE	16¼	+¼	$2.44	–	6.4
714p	591p	Bow Valley	675p	.....	40c	–	2.6
12¼	10½	Brascan	11	+¼	88c	–	3.5

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£22¾	£17¾	Travelers $1.25	£18¾	+¼	$2.40	—	7.0	—
£19¼	£15¼	USF & G Corp $2.50	£16¾	—	Q$2.64	—	8.7	—
£20¾	£15¼	USLIFE Corp. $1.0	£19½	—	Q$1.28	3.2	3.6	8.7
560	495	Utd Friendly B 10p	535	—	25.0	—	6.2	—
247	202	Willis Faber 12½p	229	+1	11.46	1.4	6.7	11.8
75	52	Windsor Secs. 10p	56	—	0.8	♦	1.9	♦

LEISURE

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
15	6½	BA & M Group 10p	11½	−1	—	—	—	—
123	93	Airtours 10p	101	+2	L65.4	1.6	7.3	11.7
172	158	Anglia TV	159	—	5.8	3.1	4.9	8.8
93	73	Aresco 1p	90	—	0.5	6.7	0.7	25.4
49	34	BCE Hldgs 5p	38	−1	L61.0	2.7	3.5	14.2
250	175	Barr & W.A.T. 'A'	258	+2	11.0	♦	6.1	♦
25	15	Bond Media	22	−1	—	—	—	—
242	170	Boosey & Hawkes	225	—	3.0	♦	—	♦
49	33	Border T.V.	35	−1	†1.4	2.4	5.3	10.2
380	288	Brent Walker 10p	373	+1	8.0	3.1	2.9	12.2
112	93	Do 6pc Cv Cm Rd Pf	109	−1	6.0	—	7.3	—
302	202	Campari Int. 20p	274	—	6.5	4.4	3.2	7.7
217	165	Castle Comms 5p	217	—	L7.0	2.0	4.4	15.2
229	161	Capital Radio 10p	229	+9	6.8	2.7	3.5	14.2
568	447	Central TV	500	—	22.0	♦	5.9	♦
146	115	Chrysalis	123	—	7.0	1.9	7.7	9.0
74	43	Cityvision 5p	78	—	0.5	♦	1.0	♦
73	49	Edenderry	54	—	Q24.6%	0.9	10.5	16.8
90	14	Entertain Prod 5p	27½	—	—	—	—	—
415	290	Fairline Boats 10p	405	—	9.0	4.7	3.0	9.6
152	120	First Leisure	149	+2	2.34	3.2	2.1	19.8

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Apl 11	Apl 21	Apl 22	May 3
Apl 25	May 5	May 6	May 16
May 9	May 19	May 20	May 31

*New time dealings may take place from 9.00 am two business days earlier.

Takeover speculation in consumer stocks features equities and I-L Gilts advance

THE UK STOCK market gave itself up almost entirely to bid speculation yesterday as the reverberations of Nestlé's £2.1bn bid for Rowntree resounded throughout the consumer share sectors. In its speculative excitement, the stock market brushed aside more fundamental factors, such as the prospects for the UK March trade figures, due on Friday.

However, fears that today's profits statement from ICI might include a rights issue cooled the market frenzy towards the close, and the early gain of 13 FT-SE points was more than halved by the end of the day.

It was a day when any tale, no matter how outlandish, could be sure of an attentive reception. In mid-afternoon, the UK Treasury found itself obliged to deny City rumours that Mr Nigel Lawson, the Chancellor of the Exchequer, had resigned.

There was further, and heavier, demand for **Cadbury Schweppes** after General Cinema, the US holder of a 17.7 per cent stake, disclosed plans for possible control of the British chocolate sweets manufacturer. But UK analysts, and the Cadbury directors, were sceptical of General Cinema's intentions, regarding *its SEC filing which said it might* seek control of Cadbury, as somewhat ambiguous.

Cadbury shares closed 31 up at 362p after touching 387p. Trading was heavy, but the Seaq volume of 31m shares was overstated by 6.2m because of inaccurate entries. Around 11m shares had already changed hands by 8.00am as the City learned of the overnight disclosures by General Cinema.

Rowntree continued to trade actively as both its Swiss suitors disclosed fresh share purchases. Nestlé took its stake to 6.57 per cent by buying 4.3m shares at 900.5p, the top price Nestlé can pay, after allowing for retained dividend. Speculative appetites were whetted by Jacobs Suchard's disclosure that it had increased its stake to 16 per cent with the purchase of a further 2.5m shares on Tuesday. Rowntree *announced the $200m disposal* of Tom's Foods, a US snack food subsidiary.

Shares in Rowntree closed 2 easier at 926p, after touching 937p earlier. Trading volume totalled 13m shares.

The search for the next treasure trove of globally-recognised consumer brand names saw investors ranging across the *retail share sectors, buying food* manufacturing, brewery, retail and even tobacco stocks.

With so many Alpha stocks attracting speculative interest market indices rose sharply during the first half of the session. But more than one third of the FT-SE list showed falls throughout the day. The index itself closed a net 5.9 up at 1806.7.

Outside the takeover features, turnover showed only a slight increase. With sterling little changed during the London trading session, the international stocks lacked feature.

Government bonds were highlighted by renewed switching *into* Index-linked issues by domestic institutions. I-L stocks gained about ⅜ point, while conventional Gilts showed little change on the day.

The sector remains effectively at a standstill ahead of tomorrow's publication of the UK trade figures for last month. A talking point was the Bank of England's announcement that it expects to hold two more *auctions of stock*, following the three experimental auctions held last year.

The announcement is, "consistent with the market perception of low funding prospects in Gilts", commented one leading trader. The Bank was known to favour further use of the auction system, and its stated maximum of £2bn for the two proposed sales *presents no problem for the market.*

Food shares were buoyant on continued bid fever, speculators *looking to the next potential* takeover target after Rowntree and Cadbury Schweppes. **Northern Foods** immediately sprang to mind, the shares rising a further 6 to 280p, after 288p on turnover of 5.9m. **United Biscuits** gained 5 to 294p, after 300p, as some 12m shares changed hands, while Unigate rose 11 to 278p. **Ranks Hovis McDougall**, in which Goodman *Fielder of Australia has a significant* presence and is now free to mount a full bid, touched 360p prior to closing unchanged at 353p. **Fitch Lovell** firmed 5 afresh to 265p and **Bassett** put on 9 more to 240p.

Tate and Lyle rose 10 to 785p awaiting the half-year figures, but cash and carry group **Nurdin and Peacock** gave ground follow*ing the preliminary results to* close 7 lower at 134p.

Brand-name enthusiasts launched a two-pronged attack on Brewery majors Allied-Lyons and Guinness. Speculation of Bond Corporation buying took a back seat as Allied, with such brand names as Canadian Club and Courvoisier, burst higher during a mid-morning frenzy of *activity when an agency broker* paid as much as 440p a share for stock. The tempo could not be maintained and Allied-Lyons eased back to close 21 up on the day at 424p after turnover of 9.0m shares.

Guinness, with Bells, Johnny Walker and Gordon's Gin in its stable, also traded heavily. Some *7.0m shares* passed through the system as attention was drawn to its quality brands and the price settled only marginally below the session's highest at 316p, for a gain of 17½. Interest spilled over to other leaders which eventually scored good rises. The list included **Whitbread "A"**, 314p, **Bass**, 855p, and **Scottish & Newcastle**, 283p.

Reckitt and Colman, the worldwide household products group, were again well to the fore, advancing 21 further to 882p for a two-day gain of 54p. Some 1.4m shares chaged hands yesterday.

Commenting on the market's preoccupation with branded consumer product companies, Kleinwort Grievson point out that although they have no reason *whatever to suspect any offer is* contemplated for Reckitt, an exit p/e of 15-20 (take-out price of £11 to £15) would represent a conservative objective valuation of the group to any party with an adequate degree of synergy.

Storehouse moved back smartly to centre–stage as a single trade of 1.2m shares at 281p prompted a subsequent surge of *buying interest which lifted the* stock to 292p bid at one stage. Later they dipped back to close at 284p, a net gain of 8, with turnover reaching 8.2m.

The market was alive with stories that Robert Maxwell, said to hold a stake of around 2 to 3 per cent, was the buyer, and that a similar stake had been acquired by Hong Kong Wharf prior to a full bid.

Racal once again topped the list of active stocks in the widely traded electronics leaders with 11m shares moving through the SEAQ system. At the close Racal were 6½ up at 246½p having touched 248p at one point. Dealers reported a fresh wave of strong buying interest, much of it via *the IDB screens, including* widespread buying triggered by the huge activity in traded options where turnover expanded sharply to over 5,000 call contracts and only 831 puts.

Fuelling the latest rise in the shares was a continuation of the recent stories that a stake is being accumulated in the company as a prelude to a full bid. *Last* week there were *rumours* suggesting Cable & Wireless or GEC could be interested in bidding for the group.

The oil majors closed with only minor changes on the day following the latest developments at the OPEC gatherings in Vienna which boosted North Sea oil prices by some 25 cents a barrel.

Enterprise and **LASMO** were *two outstanding features* with the former up 8½ at 399p and the latter 12 higher at 384p —on a turnover sharply higher at 4.5m - amid rumours that a merger of the two is on the cards in the near future. **Ultramar** jumped 10 to 285p on talk that Sir Ron Brierley is close to selling on his near 13 per cent stake in the company to a predator.

The life assurance sector was the scene of major two–way activity after the Life Assurance and Unit Trust Regulatory Organisation(Lautro) decision to make life brokers reveal their *commissions for* selling life policies. The Lautro move was regarded by analysts and traders as being likely to depress sales of policies via intermediaries and lead to cut–throat competion in the life arena. Life shares dropped sharply at the outset but quickly staged a strong recovery amid a fresh wave of takeover speculation before dipping off again late in the day.

Pearl slumped to 447p at the outset but then surged ahead to touch 472p on talk of imminent bid developments before slipping off to close a net 14 higher at 468p; the late decline followed market stories of a possible rights issue in the pipeline.

Long-standing takeover favourite **Magnet** revived strongly and rose 11 to 244p on turnover of 1.3m, but **BPB** drifted off to close 4 cheaper at 281p. **Westbury** closed 2 cheaper at 249p following the annual results and a £29m rights issue proposal.

ICI settled virtually unchanged at 933p with recent buying enthusiasm dampened by fears that today's first-quarter results may accompany fund-raising proposals. **Foseco** revealed preliminary profits at the top end of market estimates and the price responded with a gain of 6 at 246p. **Croda International** Deferred moved up 11 to 187p.

Beecham, up 13 at 479p, in a volume of around 3.5m shares were inevitably caught up in the vogue for branded consumer product companies. Other International stocks rarely strayed from overnight closing levels.

Wellcome drifted off to close 5 cheaper at 464p; interest is currently centred on the group's interim figures, due next Thursday. Assuming first half sales *and profits contributions from* Retrovir, the group's anti-Aids drug, BZW, the securities house, anticipate pre-tax profits of £98.5m compared with £81.2m. Kleinwort Grieveson is looking for a figure of £96m but believes the shares could be more affected by any comments on the sales build up of Retrovir than by the results.

Reuters *eased 6 to 484p*; at the annual meeting the Chairman reported that the figures so far this year are encouraging, but also pointed out that the strength of sterling could, if continued, depress results below original expectations.

Shiloh, a strong market of late, dipped 32 to 257p on disappointing preliminary figures while **Hawtal Whiting**, which turned in an annual loss of £1.5m compared with a profit of £4.3m in the previous year, dipped 15 to 185p.

Jaguar, the luxury car manufacturer, found new friends and emerged from the shadow of sterling/dollar influences with a rise of 6 to 284p. Volume increased noticeably to 2.5m shares. **FR Group**, on the other hand, wilted further as most analysts advised short-term caution after Tuesday's results and the close was 18 down at 234p. Sparkling first-half profits raised **Jessups** 5 more to 193p while **Hartwell** improved to 118p following outline planning permission to develop its site at Kidlington, nr Oxford.

Reed International's latest US acquisition for an initial consideration of £41.6m helped the shares rise 8 to 381p, while **DRG**, 11 up at 383p, benefited from revived talk of stake building exercises. Expansion moves stood **Saatchi & Saatchi** and several other Agencies in good stead. Saatchi rose 8 to 398p and **WCRS** strengthened further to 260p. **WPP**, which is acquiring a leading UK-based independent database management company for cash and shares, edged forward 516p. Against the trend, USM-listed **Whitney Mackay-Lewis** suffered a fresh setback to close 7 down at 93p; the agency recently issued a warning about second-half profitability.

Properties showed few significant movements, but the underlying tone was firm and the leaders managed modest gains. **Peachey** featured, rising 10 to 455p.

The escalating **P & O** ferry dispute failed to deter occasional buyers of the shares which advanced 7 to 590p in small volume.

The absence of the much-publicised dawn raid had little lasting impact on **Courtaulds**. An early reaction only served to encourage fresh aggressive support, leading to a revival of speculation of an imminent development, in a market described by a leading trader as "hyped up". The shares were finally 10 up at 394p after turnover of 9.2m. On this occasion other Textiles followed with **Dawson International** rising 11 to 215p and **Atkins Bros.** gaining 7 further to 272p. **Glen Abbey** spurted 25 more to 120p on news that York Trust and GMI Landmark Management had each bought stakes of around 10 per cent at 130p per share.

A combination of takeover speculation and brand-name fever aroused persistent buying of **Rothmans International**, 14 higher at 411p.

Britannia Arrow, the fund management group, attracted revived buying interest and moved 7 higher to 112p. **Harrisons & Crosfield** featured Overseas Traders with a gain of 23 to 627p following news that the annual results would be announced on May 11.

Traded Option activity expanded, the total number of contracts rising to 46,253 made up of 34,973 calls and 11,280 puts. Business in Cadbury Schweppes rose sharply on news that General Cinema of the US may make a full bid for the group. A new 390 series was introduced at the outset to accomodate the sharp rise in the underlying share price and the May 360 and 390 calls proved to be the most popular. Cadbury registered 3,163 calls and 734 puts overall. Racal were popular, recording 5,064 calls and 531 puts. Rolls-Royce also saw business with 2,425 calls noted. The FTSE contract attracted increased volume with calls rising to 1,596 and puts expanding to 1,908.

Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 15

For rate indications see end of London Share Service

There was a noticeable expansion of activity in the Traditional option market. Stocks favoured for the call included New England Properties, SI Group, Helical Bar, Cadbury Schweppes, Bula Resources, Magnet, Camford, Charterhall, Courtaulds, B. Priest, Eagle Trust, Regentcrest, Tesco, Norfolk Capital, African Lakes, GEC, and Fergabrook. Puts were arranged in Camford, Control Securities, British Petroleum partly-paid, Scottish and Newcastle and Willis Faber, while doubles were transacted in Belhaven, Adwest, Helical Bar, Cadbury Schweppes and J. Crowther.

FINANCIAL TIMES STOCK INDICES

	Apr. 27	Apr. 26	Apr. 25	Apr. 22	Apr. 21	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	90.03	89.99	89.89	90.26	91.01	91.85	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.05	96.78	97.30	97.75	97.92	96.93	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1448.9	1431.3	1433.3	1411.6	1423.4	1608.6	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	209.4	207.1	207.1	205.7	208.6	439.2	312.5 (7/1)	205.7 (22/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.50	4.55	4.61	4.62	4.58	3.63				
Earnings Yld. % (full)	11.63	11.79	11.96	11.96	11.86	8.31				
P/E Ratio (net) (*)	10.51	10.38	10.23	10.22	10.31	14.89				
SEAQ Bargains (5pm)	28,684	26,839	25,366	29,201	21,815	38,629				
Equity Turnover (£m)	-	1062.99	808.57	1089.61	1083.2	1171.12				
Equity Bargains	-	28,077	27,297	30,168	25,490	44,943				
Shares Traded (ml)	-	374.1	322.5	492.7	408.6	471.7				

S.E. ACTIVITY

Indices	Apr 26	Apr 25
Gilt Edged Bargains	126.0	147.3
Equity Bargains	181.9	176.9
Equity Value	2168.6	1634.3
5-Day average		
Gilt Edged Bargains	139.1	142.3
Equity Bargains	174.4	169.5
Equity Value	2072.6	2057.5

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1447.4	1446.4	1448.9	1450.9	1451.7	1452.6	1448.2	1448.9

Day's High 1452.9 Day's low 1442.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.40.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (77).

AMERICANS (2) CANADIANS (2) BANKS (1) BREWERS (2) BUILDINGS (4) CHEMICALS (1), STORES (3) ELECTRICALS (8) ENGINEERING (3) FOODS (6) INDUSTRIALS (14) INSURANCE (1) LEISURE (2) MOTORS (2) NEWSPAPERS (1) PAPERS (2) PROPERTY (7) TEXTILES (1) TRUSTS (10) OILS (4) OVERSEAS TRADERS (1) PLANTATIONS (1) THIRD MARKET (1).

NEW LOWS (22).

AMERICANS (1) TRW, CANADIANS (1) Sonora Gold, BANKS (1) Brown Shipley, BREWERS (1) Buckley's Brewery, STORES (1) Gieves, ELECTRICALS (1) Applied Holographics Wrnts., Best Intl., Cst. Microsystems, Dowding Print., Godwin Warren, Murray Tech. Invs., Pifco, INDUSTRIALS (7) Shiloh, MOTORS (1) FR Grp., TRUSTS (4) River & Merc. Wrrnts., Brewmar, Intl. City Hldgs., Natl. Home Loa. 8¼pc 2025, OILS (1) Energy Capital, MINES (4) Randfont'n Est., West Rand, Acorn Secs., McFinley Red Lake.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	3,100	General Accident	[illegible]	Prudential	[illegible]
Allied-Lyons	9,000	General Elect.	[illegible]	Racal	[illegible]
Amstrad	[illegible]	Glaxo	[illegible]	Rank Org.	[illegible]
Argyll Group	[illegible]	Globe Investment	[illegible]	RMC	[illegible]
Assoc. Brit. Foods	[illegible]	Granada	[illegible]	RTZ	[illegible]
BAA	[illegible]	Grand Met.	[illegible]	Reckitt & Colman	[illegible]
BAT	[illegible]	GUS "A"	[illegible]	Redland	[illegible]
BET	[illegible]	Guardian R.E.	[illegible]	Reed Intl.	[illegible]
BICC	[illegible]	GKN	[illegible]	Reuters "B"	[illegible]
BOC	[illegible]	Guinness	[illegible]	RMC	[illegible]
BPB Inds.	[illegible]	Hammerson	[illegible]	Rolls-Royce	[illegible]
BTR	[illegible]	Hanson	[illegible]	Rothmans "B"	[illegible]
Barclays	[illegible]	Hawker Siddeley	[illegible]	Rowntree	[illegible]
Bass	[illegible]	Hillsdown Holdings	[illegible]	Royal Bk Scotland	[illegible]
Beecham	[illegible]	ICI	[illegible]	Royal Insurance	[illegible]
Blue Arrow	[illegible]	Jaguar	[illegible]	STC	[illegible]
Blue Circle	[illegible]	Kingfisher	[illegible]	Saatchi & Saatchi	[illegible]
Boots	[illegible]	Ladbroke	[illegible]	Sainsbury	[illegible]
Brit. Airways	[illegible]	Land Securities	[illegible]	Scott & Newcastle	[illegible]
Brit. & Comm.	[illegible]	Laporte	[illegible]	Sears	[illegible]
Brit. Gas	[illegible]	Legal & General	[illegible]	Shell Transport	[illegible]
BP	[illegible]	Lloyds Bank	[illegible]	Smith & Nephew	[illegible]
BP "new"	[illegible]	LASMO	[illegible]	Standard Chartered	[illegible]
Brit. Telecom	[illegible]	Lonrho	[illegible]	Storehouse	[illegible]
Burmah Oil	[illegible]	Lucas	[illegible]	Sun Alliance	[illegible]
Burton	[illegible]	MEPC	[illegible]	T & N	[illegible]
Cable & Wireless	[illegible]	Marks & Spencer	[illegible]	TSB	[illegible]
Cadbury Schweppes	[illegible]	Maxwell Comm.	[illegible]	Tarmac	[illegible]
Coats Viyella	[illegible]	Metal Box	[illegible]	Tesco	[illegible]
Cons. Gold	[illegible]	Midland Bank	[illegible]	THORN EMI	[illegible]
Courtaulds	[illegible]	NatWest Bank	[illegible]	Trafalgar House	[illegible]
Dalgety	[illegible]	Northern Foods	[illegible]	Trusthouse Forte	[illegible]
De La Rue	[illegible]	P & O	[illegible]	Ultramar	[illegible]
Dee Corporation	[illegible]	Pearl Group	[illegible]	Unilever	[illegible]
Dixons	[illegible]	P & O	[illegible]	United Biscuits	[illegible]
English China Clays	[illegible]	Pilkington	[illegible]	Wellcome	[illegible]
Enterprise Oil	[illegible]	Plessey	[illegible]	Whitbread "A"	[illegible]
Fisons	[illegible]			Williams Holdings	[illegible]
				Woolworth	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	21	24
Corporations, Dominion and Foreign Bonds	9	10	33
Industrials	453	299	798
Financial and Properties	157	95	389
Oils	30	19	59
Plantations	1	0	10
Mines	64	39	92
Others	113	52	83
Totals	896	536	1,488

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday April 27 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Apr 26 Index No.	Mon Apr 25 Index No.	Fri Apr 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	759.78	+0.2	10.87	3.97	12.42	8.72	758.31	752.65	754.14	862.88
2 Building Materials (29)	1019.02	-0.3	10.71	3.83	11.63	7.83	1022.85	1009.64	1011.94	1078.92
3 Contracting, Construction (34)	1590.97	[illegible]	9.95	3.85	14.14	17.12	1598.72	1585.71	1597.82	1417.64
4 Electricals (12)	2012.15	+0.7	9.44	4.55	13.29	23.78	1998.46	1981.75	1987.36	2185.83
5 Electronics (32)	1547.81	+0.6	10.65	3.45	12.25	12.47	1539.28	1534.34	1532.41	1933.58
6 Mechanical Engineering (56)	389.97	-0.5	10.86	4.38	12.48	6.34	391.91	391.18	387.41	400.77
8 Metals and Metal Forming (7)	451.24	[illegible]	10.87	3.92	12.08	3.99	451.24	444.42	447.76	474.69
9 Motors (13)	275.48	+0.9	11.61	4.45	9.97	4.79	272.97	269.96	268.67	338.69
10 Other Industrial Materials (24)	1250.42	+0.7	8.65	4.37	13.81	19.22	1249.89	1234.41	1252.56	1435.49
21 CONSUMER GROUP (188)	1076.57	+0.6	8.59	3.45	14.83	6.47	1069.77	1051.79	1051.57	1185.82
22 Brewers and Distillers (22)	1183.51	+2.9	10.01	3.45	12.71	7.75	1072.12	1065.40	1069.86	1184.91
25 Food Manufacturing (23)	929.41	+1.4	8.57	3.59	14.97	8.40	916.76	864.57	849.49	892.82
26 Food Retailing (16)	2080.97	+1.7	7.98	3.04	16.51	12.39	2117.53	2102.35	2106.05	2190.32
27 Health and Household (12)	1787.89	+0.3	6.92	2.67	17.17	6.40	1783.25	1763.76	1768.67	2287.86
29 Leisure (30)	1288.99	+0.4	8.61	3.60	15.96	11.44	1275.33	1272.14	1271.81	1389.22
31 Packaging & Paper (17)	572.91	+0.4	9.22	3.94	14.27	4.03	570.46	465.61	467.28	624.81
32 Publishing & Printing (16)	3297.67	+0.7	8.36	4.49	14.89	43.53	3274.56	3265.99	3311.75	3598.28
34 Stores (35)	840.62	[illegible]	9.18	3.68	14.59	2.51	848.19	832.38	832.65	1029.84
35 Textiles (18)	520.72	+1.2	10.96	3.97	10.68	4.53	513.95	505.18	505.21	707.73
40 OTHER GROUPS (93)	867.39	+0.4	10.92	4.33	11.45	7.89	863.92	859.29	858.18	1066.48
41 Agencies (19)	1137.32	[illegible]	7.25	2.33	17.62	9.41	1137.97	1129.15	1135.47	1481.86
42 Chemicals (20)	1001.57	+0.2	12.08	4.85	10.28	20.16	999.37	984.31	981.00	1049.25
43 Conglomerates (14)	1160.92	+0.5	10.82	4.49	11.65	6.45	1155.26	1143.27	1142.28	1274.14
45 Shipping and Transport (12)	1885.57	+0.3	9.77	4.51	13.55	21.37	1879.64	1875.99	1881.98	2018.58
47 Telephone Networks (2)	949.73	+0.5	11.34	4.34	11.23	8.84	945.44	945.87	944.35	1098.25
48 Miscellaneous (26)	1124.59	+0.7	12.66	4.48	9.48	10.12	1116.68	1117.89	1109.83	1294.17
49 INDUSTRIAL GROUP (488)	947.91	+0.5	9.66	3.82	13.13	7.89	942.72	932.85	931.38	1066.83
51 Oil & Gas (12)	1849.87	[illegible]	10.39	5.55	12.43	38.41	1849.49	1823.96	1811.52	1866.28
59 500 SHARE INDEX (500)	1025.13	+0.4	9.71	4.07	19.82	10.46	1019.28	1007.38	1005.69	1133.51
61 FINANCIAL GROUP (122)	648.05	[illegible]	[illegible]	4.98	[illegible]	8.41	646.33	641.33	643.29	792.71
62 Banks (8)	618.96	+0.3	24.34	6.57	5.52	17.45	620.63	614.88	614.05	743.81
65 Insurance (Life) (8)	978.36	-0.3	-	5.33	-	24.97	981.36	973.99	975.99	964.85
66 Insurance (Composite) (7)	537.76	+0.8	-	5.38	-	6.88	533.36	527.35	528.89	579.98
67 Insurance (Brokers) (7)	965.54	+1.0	10.79	7.01	12.01	28.67	896.21	888.10	892.26	1153.84
68 Merchant Banks (11)	346.79	+0.2	-	4.35	-	3.81	347.35	346.57	347.56	362.77
69 Property (51)	1155.97	[illegible]	4.81	2.64	26.61	4.38	1155.35	1158.68	1152.85	1022.21
70 Other Financial (30)	392.32	+0.8	9.89	4.25	12.78	3.74	389.17	387.83	388.87	464.27
71 Investment Trusts (82)	872.65	+0.2	-	2.93	-	5.78	870.67	865.15	863.87	958.25
81 Mining Finance (2)	448.55	+1.0	9.93	4.01	11.39	2.81	443.72	439.79	448.51	479.57
91 Overseas Traders (8)	1049.67	+0.6	10.23	5.16	11.48	26.07	1043.58	1033.28	1031.78	944.58
99 ALL-SHARE INDEX (714)	929.14	+0.3	-	4.17	-	10.38	926.12	916.25	914.55	1017.09

	Index No.	Day's Change	Day's High	Day's Low	Apr 26	Apr 25	Apr 22	Apr 21	Apr 20	Year ago
FT-SE 100 SHARE INDEX ♦	1806.7	+5.9	1813.9	1800.8	1800.8	1777.6	1771.6	1791.9	1786.8	2038.6

FIXED INTEREST

PRICE INDICES	Wed Apr 27	Day's change %	Tue Apr 26	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.31	+0.03	123.28	-	3.76
2 5-15 years	140.49	+0.08	140.38	-	4.46
3 Over 15 years	148.82	+0.12	148.64	-	5.65
4 Irredeemables	164.62	+0.06	164.52	-	6.08
5 All stocks	137.22	+0.07	137.13	-	4.41
Index-Linked					
6 5 years	126.34	+0.18	126.11	-	0.93
7 Over 5 years	119.76	+0.50	119.17	-	2.18
8 All stocks	120.12	+0.47	119.57	-	2.12
9 Debentures & Loans	119.54	+0.16	119.34	-	4.07
10 Preference	90.79	+0.11	90.69	-	2.10

AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 27	Tue Apr 26	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.78	8.75	8.86
2	15 years	9.15	9.17	8.70
3	25 years	9.04	9.04	8.71
4 Medium Coupons	5 years	9.22	9.22	8.80
5	15 years	9.37	9.38	8.92
6	25 years	9.53	9.53	8.93
7 High Coupons	5 years	9.30	9.30	8.96
8	15 years	9.52	9.53	9.06
9	25 years	9.37	9.28	8.88
10 Irredeemables		9.00	9.00	8.82
Index-Linked				
11 Inflation rate 5%	5yrs	2.35	2.41	2.82
12 Inflation rate 5%	Over 5 yrs	3.75	3.78	3.57
13 Inflation rate 10%	5yrs	1.39	1.44	2.28
14 Inflation rate 10%	Over 5 yrs	3.58	3.61	3.45
15 Debs & Loans	5 years	10.73	10.74	9.82
16	15 years	10.53	10.56	10.04
17	25 years	10.53	10.56	10.07
18 Preference		9.90	9.91	10.40

♦Opening index 1808.1; 10 am 1810.4; 11 am 1812.0; Noon 1812.1; 1 pm 1812.3; 2 pm 1812.8; 3 pm 1808.9; 3.30 pm 1807.8; 4 pm 1809.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*427)	360	71	77	-	4	9	-
	390	47	58	68	10	18	22
	420	29	40	50	27	32	35
Brit. Airways (*157)	140	21	25	29	4½	8	10
	160	8	13	18	15	17	22
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*382)	330	53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	27½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	390	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*590)	500	95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	550	47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

April 27 Total Contracts 46,253 Calls 34,973 Puts 11,280
FT-SE Index Calls 1596 Puts 1908
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices April 27

MONTREAL
Closing prices April 27

Sales 4,632,934 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

INDICES

NEW YORK — DOW JONES

	Apr. 26	Apr. 25	Apr. 22	Apr. 21	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2044.76	2036.14	2015.09	1987.40	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.83	89.0	88.87	88.68	91.25 (3/3)	86.12 (4/1)	-	-
Transport	850.81	853.35	847.67	830.50	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	171.17	170.16	169.87	167.67	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2062.83 (2047.75) Low 2023.04 (2011.60)

STANDARD AND POOR'S	Apr. 26	Apr. 25	Apr. 22	Apr. 21	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	263.93	262.46	260.14	256.42	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	307.51	305.83	302.92	298.66	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.46	22.27	22.21	21.86	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	148.93	148.21	147.03	145.24	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	301.45	298.95	298.03	296.71	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	377.84	375.27	374.04	373.20	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Apr. 22	Apr. 8	Apr. 1	year ago (approx.)
Dow Industrial Div. Yield	3.47	3.35	3.35	2.99

	Apr. 20	Apr. 13	Apr. 6	year ago (approx.)
S & P Industrial div. yield	3.15	2.90	2.96	2.47
S & P P/E ratio	14.70	15.60	15.21	22.12

TRADING ACTIVITY

† Volume Millions	Apr. 26	Apr. 25	Apr. 22
New York	152,300	157,708	152,520
Amex	9,890	8,230	7,180
OTC	125,731	105,112	124,364

NEW YORK	Apr. 26	Apr. 25	Apr. 22
Issues Traded	1,956	1,999	1,979
Rises	923	932	960
Falls	558	584	532
Unchanged	479	483	487
New Highs	26	17	15
New Lows	15	12	16

CANADA

TORONTO	Apr. 26	Apr. 25	Apr. 22	Apr. 21	1988 High	1988 Low
Metals & Minerals	2845.8	2826.3	2818.6	2822.1	3077.3 (19/4)	2250.7 (8/2)
Composite	3344.0	3336.1	3333.0	3329.7	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1645.27	1640.93	1634.11	1627.60	1681.54 (12/4)	1308.06 (27/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Texaco	5,730,600	48¾	+ ⅛
Pinnacle wl	4,097,900	25⅜	- ⅜
Tandem Comp	2,414,500	18⅞	+ 1⅝
Am T & T	2,180,900	26¼	- ½
Exxon	1,534,400	45	+ ¼
Southern wl	1,490,800	22¼	- ⅛
Gen Electric	1,459,100	40¼	- ¼
Teco Energy	1,365,900	21⅞	+ ⅛
Lucky Strs	1,329,600	55⅜	+ 1⅛
IBM	1,313,400	114¼	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Apr 27	Apr 26	Apr 25	Apr 22	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1443.5	1443.2	(c)	1436.6	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	691.8	692.7	(c)	699.6	773.6 (14/1)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	176.86	176.56	175.55	173.47	178.92 (21/3)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	4663.4	4656.4	4667.5	4661.0	5043.1 (9/3)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	196.14	195.97	(u)	195.29	208.07 (11/4)	180.68 (4/1)
FINLAND Unitas General (1975)	659.7	657.0	653.6	650.6	659.7 (27/4)	538.6 (15/1)
FRANCE CAC General (31/12/82)	312.0	307.9	308.0	308.0	312.0 (27/4)	251.3 (29/1)
Ind Tendance (31/12/87)	112.3	111.5	109.2	111.8	112.3 (25/2)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	446.69	446.68	451.77	452.45	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1362.5	1361.1	1376.9	1377.4	1457.5 (18/3)	1207.9 (29/1)
HONG KONG Hang Seng Bank (31/7/64)	2592.02	2585.97	2623.75	2591.35	2684.13 (14/4)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	502.79	508.36	(c)	505.97	545.07 (18/3)	425.91 (9/2)
JAPAN** Nikkei (16/5/49)	27191.97	27246.77	27213.45	26837.12	27246.77 (26/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2178.51	2176.38	2175.77	2162.50	2193.95 (14/4)	1690.44 (4/1)
NETHERLANDS AMP-CBS General (1970)	250.2	246.9	246.3	245.6	280.3 (24/2)	205.7 (4/1)
AMP-CBS Industrial (1970)	206.7	204.8	204.6	205.5	211.7 (14/4)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	402.80	403.90	398.04	394.30	412.04 (11/4)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	956.90	956.40	959.60	955.70	969.40 (21/3)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1212.0	1191.0	1191.0	1186.0	1790.0 (7/1)	1186.0 (22/4)
JSE Industrial (28/9/78)	1486.0	1488.0	1496.0	1496.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	271.68	272.32	273.50	271.37	281.14 (14/4)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	2799.2	2767.5	2745.4	2720.3	2838.7 (14/4)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	519.8	514.8	511.6	513.5	539.5 (18/3)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	459.5	457.7	453.9	463.4 (13/4)	401.0 (21/1)

**Saturday April 23: Japan Nikkei 27,058.37, TSE 2166.99

♦ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES		
Allied-Lyons	424	+ 21
Beecham	479	+ 13
Britannia Arrow	112	+ 7
Cable & Wireless	332	+ 8
Cadbury Schweppes	362	+ 31
Courtaulds	394	+ 10
Dawson Intl.	215	+ 11
Glen Abbey	120	+ 25
Grand Met.	492½	+ 11½
Guinness	316	+ 17½
Harrisons & Cros.	627	+ 23
Hopkinsons	135	+ 9
LASMO	384	+ 12
Magnet	244	+ 11
Micro Focus	168	+ 10
Peachey	455	+ 10
Pearl	468	+ 14
Reckitt & Colman	882	+ 21
Rothmans	411	+ 14
Storehouse	284	+ 8
Tate & Lyle	786	+ 11
Ultramar	285	+ 10

FALLS		
FR Group	234	– 18
Hawtal Whiting	185	– 15
Shiloh	257	– 32

TOKYO – Most Active Stocks
Wednesday, April 27, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	35.59m	458	-12
Nippon Kokan	28.09m	379	-15
Toshiba	22.68m	839	-13
Nippon Yusen	15.99m	635	-12
Hitachi	14.24m	916	+51
Kobe Steel	13.76m	329	-11
Mitsui O.S.K.	12.17m	395	+1
Sawako	11.63m	1,460	+120
Mitsubishi Heavy Ind	11.04m	712	-13
Kawasaki Steel	10.81m	370	-13

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	251	24⅝	23½	23½	-⅝
27	10½	AGS s			13	447	17¾	17	17	-¾
10½	4⅞	AMCA			222	3⅝	d	3¼	3¼	-1⅞
6⅝	3¼	AM Intl				1157	3⅝	3⅜	3⅜	
65½	26¾	AMR			11	4253	43⅜	42⅝	42⅞	-⅝
12¼	6⅝	ARX			9	290	8¾	8½	8½	-⅛
72⅞	40⅛	ASA	3	6.6		400	45⅞	45½	45⅝	
22⅝	9½	AVX			13	901	18⅝	17⅞	18¼	+⅜
65⅝	40	AbtLab 1.20		2.5	16	3106	48⅝	47	47⅞	-1⅛
28	15⅝	Abitibi g	1			39	18⅛	17¾	18	
16¾	8½	AcmeC .40		3.2		87	12⅝	12⅜	12⅝	+⅜
10½	6⅝	AcmeE .32b		4.7	18	23	6⅞	6¾	6⅞	+¼
20	14⅛	AdaEx 3.05e		20.		85	15⅞	15⅜	15⅝	-⅛
19¼	8⅞	AdamMl .24		1.3	15	75	18⅞	18½	18½	-⅜
24⅞	7½	AMD				11395	14⅜	13½	14⅛	+⅝
56¾	29¼	AMD pf	3	7.5		303	40	38¼	40	+1¾
11⅞	4⅜	Adobe			12	13	7¾	7⅝	7⅝	
16	6⅛	Advest .12a		1.7	7	42	7¼	7⅛	7⅛	
64¼	42⅜	AetnLf 2.76		6.5	6	1551	43½	42⅝	42¾	-⅝
63½	41	AflPub .40		.7	33	499	58⅛	57	57⅜	-⅝
23¾	13	Ahmans .88		6.1	7	2646	14⅝	14	14⅝	+½
4⅞	1¾	Aileen				266	3½	3⅜	3½	
53⅞	28	AirPrd	1	2.1	14	1679	48	47¼	47¾	+½
38	11⅛	AirbFrt .60		3.4	24	213	18¼	17½	17½	-⅛
16½	6¾	Airgas			16	73	13	12¾	12¾	-⅛
19¾	13½	Airlease 2.30		13.	10	146	18⅞	18¼	18¼	-⅝
10⅝	7⅞	AlaP dpf.87		9.6		52	9¼	9⅛	9⅛	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68¼	34¾	Pennwt	2.40	4.1	14	828	58¾	58	58½	+⅜
39½	20½	Penw pf	1.60	4.7		45	34¼	33⅞	34¼	+¼
88	38½	Pennzoil	2.20	2.9	108	x1058	76	75⅛	75½	+⅛
22⅞	14¼	PeopEn	1.52	8.7	10	286	17⅝	17¼	17⅝	−⅛
18⅞	9½	PepBy s	.10	.9	19	5784	12¼	11½	11⅝	−⅝
42¼	25½	PepsiCo	.68	1.9	16	8008	36⅜	35⅝	36	−⅛
12	7⅞	PerkF	1.20e	12.	13	104	10¼	9⅞	10⅛	−⅛
41⅛	18½	PerkEl	.60	2.4		918	25¾	25⅜	25½	
8⅛	5⅞	Prmian	.59e	9.8	13	104	6	5⅞	6	+⅛
10¼	6¾	PrLP	pr1.15	14.		127	8	7⅞	8	
13⅝	5¼	PeryDr				134	9⅝	9½	9½	
40	14¼	Petrie	.20	1.0	19	438	19½	19¼	19½	+¼
21	15⅝	PetPar	2.08	11.	8	236	19⅝	19⅛	19¼	
33½	20½	PetRs	3.18e	12.		45	26½	26⅛	26¼	+⅛
18	15	PetRs pf	1.57	9.2		12	17	16¾	17	+⅜
2⅛	¾	Ptrinv	.22e	16.		10	1⅜	1⅜	1⅜	−⅛
76½	40	Pfizer	2	3.5	13	3281	57¾	56½	56⅝	−½
56	23½	PhelpD	.80	2.0	6	3465	40¼	39¾	40	
74	37	PhlpD pr	3	5.4		257	55¾	55½	55¾	+¼
23⅝	16¾	PhilaEl	2.20	12.	8	2390	18	17⅝	17¾	−⅛
45½	34	PhE	pfA3.80	10.		z170	36½	36½	36½	+½
46½	36½	PhE	pfC4.40	11.		z30	41	41	41	
87	69	PhE	pfG8.75	11.		z1240	78⅝	78	78¾	−⅛
101	85	PhE	pfS9.50	11.		z270	86	86	86	−⅜
13¼	11	PhE	pfR1.41	12.		56	12	11⅞	12	
12⅝	9⅞	PhE	pfP1.33	12.		126	11⅜	11⅛	11⅛	
79	65⅜	PhE	pfH7.85	11.		z100	71¼	71¼	71¼	+½
12¼	9¾	PhE	pfO1.28	12.		105	11¼	10⅞	11	−¼
[illegible]										

R R R

[illegible]

S S S

17	5¾	Schwb n			16	23	7⅝	7½	7½	
20¼	8⅛	SciAtl	.12	.8	12	524	14¾	14⅝	14⅝	
43½	27½	ScottP s	.74	2.0	11	513	37⅞	37⅜	37¾	+⅛
15⅞	10	Scottys	.52	3.5	19	53	14¾	14½	14¾	+¼
13	5¼	ScdNA n	.07e	.7		101	10¾	10⅝	10⅝	−⅛
30½	12	SeaCnt	.25e	1.1	11	278	22¾	22⅝	22⅝	
14¼	10½	SeaCt pf	1.46	11.		19	13⅜	13⅛	13⅜	
17½	14	SeaC	pfB2.10	13.		13	16⅝	16⅜	16⅜	−⅜

T T T

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U U U

25¼	11¾	UDC	2.20	12.	6	54	18	17⅞	17⅞	−⅛
113	100	UDC pf				2	108	108	108	+1
30	21¾	UGI	2.14	7.8	10	171	27½	27⅛	27⅜	
13¾	4½	UNCInc	.01e	.1	15	712	10⅝	10⅜	10½	+⅛
27⅞	15⅜	UNUM	.48	2.3	11	989	21⅞	21¼	21¼	−¼
45¼	26¼	USFG	2.64	8.5	6	1072	31¼	30⅞	31	−⅛
56¾	41¼	USFG	pf4.10	9.1		58	45¼	45⅛	45⅛	−⅛
55⅞	23½	USG	1.12b	2.7	14	13280	42¼	40⅝	42	+1¾

[illegible]

X Y Z

65	50	Xerox	3	5.5	10	825	54½	54	54⅛	−⅛
50¾	46¾	Xerox pf	4.13	8.4		287	49⅛	49	49⅛	+⅜
35¾	19⅛	XTRA	.64	1.9	17	290	33⅜	32⅝	33⅛	+1
29¾	19½	XTRA pf	1.94	6.8		1	28½	28½	28½	+½
45¼	17½	Yorkin			14	791	44⅞	44¼	44⅝	−⅛
7¼	2¼	Zapata				92	3¼	3⅛	3¼	+⅛
37	13½	Zayre	.40	1.8	11	4624	23⅝	22⅝	22¾	−⅝
16⅛	8⅝	Zemex	.40	3.0	17	12	13⅛	13⅛	13⅛	−⅛
33⅝	10	ZenithE				5545	22	21	21⅝	+1¼
10⅝	10	Zenin n				196	u10¾	10	10½	+⅜
11½	1¾	ZenLab				400	2⅜	2¼	2¼	
24	13½	ZeaNtl	.80	3.9	10	585	20½	20¼	20½	+⅜
20⅝	11⅝	Zero	.36	2.5	14	67	14½	14⅛	14⅛	−¼
30¾	15	Zurnin s	.68	3.2	14	282	21	20⅝	21	+⅜
10⅝	7⅝	Zweig	1.34e	13.		816	10⅛	10	10⅛	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

AMERICA

Inflation worries subdue Dow's upward momentum

Wall Street

INFLUENCED by inflation fears and a subdued bond market, Wall Street stocks posted a small gain yesterday in the lightest trading volume for nearly a month, *writes Deborah Hargreaves in New York.*

The market managed to retain some upward momentum from the last few sessions as it hovered within a narrow range, but kept a wary eye on inflation-indicators such as rising oil and gold prices. Gold futures for June delivery rallied on the New York Commodity Exchange to $454.30, after gold strengthened in London.

The rise in commodity prices led to some inflation concerns in a market where institutions and retail customers remained hesitant. The credit markets edged downwards and the dollar firmed slightly, but trading in both markets was slow.

Wall Street had largely discounted the economic data released yesterday and showed little reaction to the 0.8 per cent growth in March personal income and the 0.7 per cent rise in consumption.

The Dow Jones Industrial Average closed at 2,047.91, a rise of 3.15 points, on light volume of 135m shares. Some 765 advancing issues just about outweighed 697 declining ones.

Broader market indices were mixed with the Standard & Poors 500 down 0.13 points to 263.8 and the New York Stock Exchange Composite index up 0.01 points to 148.94.

Oil stocks showed little effect of an accord reached by Opec with non-member oil producing countries on reducing their exports by about 5 per cent in an effort to bolster oil prices. This led to a boost in oil futures on the New York Mercantile Exchange to a midday level of $18.47 a barrel – an increase of 18 cents from Tuesday's level.

However, Exxon lost $⅛ to $44⅝, Mobil was down $⅛ at $47⅞ and Amoco was up $¼ at $79⅜. Texaco, which doubled its quarterly earnings on Tuesday, was down $⅜ at $48.

Chrysler Corp gave up $⅛ to $23⅝ in spite of reporting record first quarter profits – before an extraordinary charge – and a delay in the phase-out of its Kenosha, Wisconsin car assembly plant. Among other companies reporting quarterly results, Dupont, the chemical company, gained $1⅛ to $86⅝, PepsiCo, the soft drinks firm, dropped $⅛ to $36, and Primerica, the financial services company, rose $⅛ to $35⅝.

Bethlehem Steel gained $⅛ to $20⅛ after it announced it would raise its steel plate prices by $10 a ton. USX, which on Tuesday reported strong first quarter profits – partly due to improved steel prices – dropped $⅛ to $31⅛.

The rise in gold prices had a mixed effect on gold stocks with Newmont Mining dropping $⅛ to $35⅝, American Barrick was unchanged at $20⅝ and Homestake Mining lost $⅛ to $14⅝.

Allegis Corp gave up $⅜ to $79⅛ after the announcement that Mr James Hartigan, chairman of its United Airlines unit would retire.

In the takeover area, General Cinema rose $⅛ to $18⅝ after it made a filing with the Securities & Exchange Commission for clearance to increase its 17.7 per cent stake in Cadbury Schweppes, the UK chocolate and soft drinks company.

The US Treasury bond market remained in a stiflingly narrow range yesterday in a cautious market. The benchmark long bond dropped ⅛ to 95⅞ with a yield of 9 per cent.

After the release of comments from a speech by Mr Robert Heller, Federal Reserve Board governor, citing the stability and health of the financial markets as key concerns for the bank, analysts pointed to the recent proliferation of speeches by Federal officials. Many of these centre on inflation concerns and can do a lot toward shaping the psychology of the bond market. The bond market remains concerned about inflation and is watching rising commodity prices with some trepidation.

Canada

RISING GOLD issues led Toronto share prices to a slight gain in mixed trading after the market drifted aimlessly through a lacklustre session.

The composite index, which had risen about eight points in earlier trading, gained 1.90 to 3345.9 as declines outpaced advances by 404 to 385 on quiet turnover of 20.6m shares.

Irish stocks mirror Mr Haughey's popularity

By Kieran Cooke, Dublin correspondent

THESE days it seems that the Irish Republic's Prime Minister, Mr Charles Haughey, can do no wrong.

Public expenditure has been cut by millions of punt as the Government gets to grips with an I£25bn ($45bn) debt. Yet Mr Haughey's rating in opinion polls has never been higher.

The performance of the Irish Stock Exchange has mirrored Mr Haughey's. Since the beginning of the year the all-share index has risen 19.4 per cent in value, outperforming many markets around the world. The industrial index has performed particularly well, up 25.2 per cent from the start of the year, while the financial index has risen 8.9 per cent.

The gilt market remains a good performer with inflows continuing from overseas and the differential between Irish and UK gilt yields at its narrowest for many years.

The Dublin market has traditionally been a volatile one. In last October's crash the exchange index fell 47 per cent compared with falls of 38 per cent in London and 36 per cent in New York.

However, it has shown it can bounce back, up 26 per cent on its post-crash low, well ahead of the London and New York figures. Generally optimistic assessments of Ireland's economic performance underpin the buoyancy. The balance of payments surplus in January was I£233m – the highest monthly figure on record. Inflation is down to under two per cent while the Exchequer Borrowing Requirement at I£1.46bn (8 per cent of GNP) targeted for the year is the lowest for more than 20 years.

Irish companies, after a period of considerable readjustment, have generally performed well in the difficult economic conditions. Good performances by the big six companies on the Exchange – Jefferson Smurfit, Cement Roadstone Holdings, Waterford Glass, Irish Distillers, Allied Irish Bank and Bank of Ireland (which together account for well over 60 per cent of trading) – have buoyed Dublin's performance.

Takeover speculation has added what Mr John Hogan of Dublin stockbrokers Riada and Co describes as "the froth" on the Dublin exchange. Rumours continue about a move for Waterford Glass by Fitzwilton, an Irish investment holding company. There is also speculation about the Irish Distillers Group's future following interest from the F.I.I-Fyffes banana importing company.

This has added to activity and, some brokers feel, somewhat distorted real performance. Meanwhile the two big banks have continued to expand, especially overseas, with Bank of Ireland making an I£230m purchase of First New Hampshire Bank in the US.

Fund raising for overseas operations has kept bank shares down but it is felt they will recover strongly later in the year. But many brokers believe the Irish exchange is unlikely to continue climbing at quite such a rapid rate.

"We might have seen the best of this year," said Mr Hogan. With the dominant companies on the Irish exchange heavily exposed in the US and elsewhere, international developments will be crucial. But for the moment, Dublin – and Mr Haughey – are riding high.

EUROPE

Firm dollar and US gains underpin optimistic mood

SLIGHT gains in thin trade were the order of the day on most European bourses yesterday, as the overnight gain on Wall Street and the firming dollar encouraged some optimism.

FRANKFURT turned up after recent falls, with most shares closing near their highest levels of the day in a quiet session. The FAZ index edged up 0.01 to 446.69.

Blue chips slipped in the first half hour of trade, but buying from domestic investors pushed them back up, with support from a firmer dollar.

Daimler-Benz opened DM5.10 down on Tuesday's close at DM610, but later rebounded to close at DM621.50, or DM6.40 higher. Other car makers also improved.

Bonds generally firmed in moderate trading, but the yield on the 6¼ per cent 1998 bond was unchanged at just over 6.37 per cent.

PARIS also finished slightly higher in a session dominated by activity in diversified group Compagnie du Midi. The Indicateur de Tendance rose 0.80 to 112.30 and the CAC General index, based on opening prices, showed a 4.1 gain to 312.0.

Midi shares plunged FFr140, or 7.7 per cent, to a low of FFr1,670 in early trading following Tuesday's announcement of a merger with fellow French insurer Groupe Axa to create a new force in the European industry.

But the share price recovered to end FFr49 lower on the day at FFr1,761 amid speculation that the merger plan might force the hand of Generali of Italy, which has built up a 13.6 per cent stake in Midi.

Elsewhere, Elf added FFr2 to FFr289 in the wake of its acquisition of RTZ's oil and gas division. CGE, which said it was optimistic about 1988 prospects, rose FFr1.50 to FFr242. Telecommunications group SAT, which shot up FFr141 on takeover speculation on Tuesday, fell back FFr94 to FFr786.

ZURICH was encouraged by the overnight gain on Wall Street and the stronger dollar. The Crédit Suisse index moved up 3.4 to 451.8.

Nestlé bearer gained SFr10 to SFr8,410 in moderate trade. The food giant predicted profit this year would be at least as high as last year's SFr1.83bn, despite its purchase of the Italy's Buitoni and its proposed takeover of Rowntree of the UK. Jacobs Suchard, another Rowntree suitor, rose SFr175 to SFr8,400.

AMSTERDAM made small gains in a quiet day, after the rise on Wall Street and the improvement in the dollar. The all-share index rose 1.2 to 85.6.

Many investors stayed on the sidelines after a Dutch newspaper predicted another crash.

Textile company Nijverdal Ten Cate, the subject of takeover rumours, added a further Fl 4.30 to Fl 94.50.

Publisher Wolters Kluwer gained Fl 1.20 to Fl 130.20 after saying first quarter results were very good.

London

TAKEOVER fever swamped London yesterday, with Swiss company Nestlé's bid for Rowntree and US General Cinema's plans for Cadbury Schweppes the main causes.

Worries that ICI might launch a rights issue later calmed the market down. After an early gain of 13 points, the FT-SE 100 index closed up 6.9 up at 1,806.7.

BRUSSELS closed slightly higher as market activity picked up a little from the previous day's slumber.

Interest focused on Petrofina, up BFr125 at BFr11,075, and leading chemical Solvay, which gained BFr200 to close at BFr12,050. Générale de Banque tumbled BFr290 to BFr5,170 after paying out a BFr255 dividend.

MILAN suffered uncertainty about prospects for the economy and shares closed lower in thin, cautious trading. The MIB index closed down 12 at 1,038.

Generali finished at L85,800, down L1,200, following news of the planned merger between French insurers Compagnie du Midi and Axa.

STOCKHOLM saw shares stage the best advance for three weeks, helped by the strong market in New York and lower domestic interest rates.

Trading was little affected by the Government's announcement of a tighter fiscal policy. The Affärsvärlden index gained 10.4 to 818.4.

● JOHANNESBURG gold prices closed slightly firmer on small gains in the bullion price but the rest of the market lacked direction in the absence of new incentives.

Correction

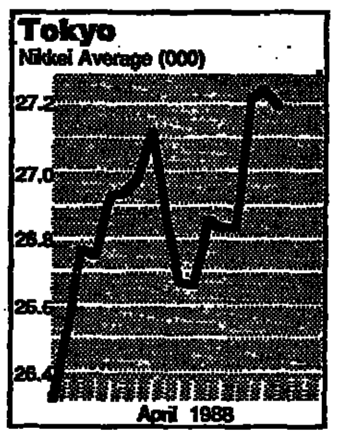
Car stocks

In a story about European car shares on Tuesday, figures provided by Phillips & Drew for Volvo's share price were incorrect. The price rise from Jan 1 to April 22 1988 should have been 23.7 per cent and the change relative to the market 2.3 per cent. This means that Volvo has outperformed the Swedish market.

ASIA

Oil price worries dampen interest

Tokyo



UNFAVOURABLE external factors disheartened investors, dragging down the Nikkei average for the first time in five trading days in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

With dealers and investors taking to the sidelines, major giant-capital and high-technology stocks turned down almost across the board. In contrast, a handful of smaller-capital stocks, backed by technological development and other favourable factors, were in demand.

The Nikkei stock average closed 54.5 down at 27,131.97 after moving between 27,327.49 and 27,165.96. Volume fell steeply from the previous day's 1.06bn to 784m shares. Declines led advances by 527 to 389, with 153 issues unchanged.

The news that Saudi Arabia had decided to cut off diplomatic ties with Iran added to concern about an upturn in crude oil prices, dampening buying interest. The coming holiday-studded Golden Week of Japan also persuaded investors to keep a low profile.

While major issues were out of favour, small-capitals came into the spotlight. Ajinomoto gained Y40 to Y3,540 on renewed investor interest after US approval of its manufacture of the Interleukin-2 anti-cancer agent. Sanraku, Ajinomoto's largest shareholder, was eighth busiest stock with 11.63m shares traded and jumped Y120 to Y1,460. A spokesman for Sanraku said the company had nothing to do with the drug.

Kamigumi, a harbour-linked transportation concern, firmed Y18 to Y758 on its improved earnings position due to expanded imports.

Nihon Nosan Kogyo gained Y58 to Y723 after briefly climbing Y75 on strong buying sparked by news of a study showing that its iodine-fortified eggs have a cancer-suppressing effect.

Continued buying by speculators pushed Konica up Y70 to Y1,730 and Brother Industries Y36 higher to Y815.

Mitsubishi Steel Manufacturing rose Y44 to Y882 on expectations that its idle plant site would be brought into use. Hitachi Seiki, fifth busiest with 14.24m shares, moved up Y51 to Y916 on brisk receipt of orders for machine tools.

Big-capital steels and shipbuildings weakened on a broad front on light selling triggered by reports of declining steel product prices. Nippon Steel, the day's most active stock with 35.59m shares, fell Y12 to Y458.

Despite the yen's easy tone against the dollar, heavy electricals and high-tech stocks dropped moderately on small-lot selling. Toshiba shed Y13 to Y838 and Mitsubishi Electric Y2 to Y748. NTT, in contrast, surged Y40,000 to Y2.45m.

The bond market was little affected by the Ministry of Finance's decision on issue terms for May government bonds due in 10 years. The coupon rate on the debt paper was set at 4.6 per cent, unchanged from the April issue, with the issue price raised by Y1 to Y100.

The May issue, along with the April one, is widely expected to become a bellwether. The yield on the April issue consequently plunged from the previous day's 4.550 per cent finish to 4.490 per cent in inter-dealer trading at one stage, ending at 4.545 per cent.

The current benchmark 5.0 per cent government bond due in December 1997 traded at a yield of 4.430 per cent compared with the previous day's 4.440 per cent close.

In Osaka, shares continued to gain, supported by strong buying of issues of companies based in western Japan, with the Osaka Securities Exchange average ending 0.84 up at 27,201.47. Turnover decreased by 33m to 93m shares.

Kiyo Bank advanced Y140 to Y1,340 on rumours of buying by speculators and Sanoyas a maximum Y80 to Y542, whereas Nippon Dream Kanko lost Y70 to Y1,530.

Singapore

CAUTION over a government policy announcement expected today kept Singapore investors on the sidelines, as share prices closed mixed in light trade.

The announcement was expected to set the new rates at which employers must contribute to the worker pension scheme, the Central Provident Fund.

Wall Street's overnight rise and the mildly encouraging US gross national product figure inspired some confidence in small local investors. The Straits Times industrial index inched up 0.55 to 956.97.

Interest remained focused on Malaysian stocks. Sime Darby, which was the most active stock with 1.6m shares changing hands, slipped 1 cent to S$2.71.

Among other Malaysian issues, MMC gained 4 cents to S$1.65 on turnover of 798,000 shares, Amalgamated Steel Mills rose 2 cents *to S$1.77 on 450,000 shares,* while MUI lost 1 cent to S$1.61 on 400,000 shares and Genting dropped *4 cents to S$4.28.*

Malaysian hotel group Faber Merlin was unchanged at S$36.50 amid rumours that it could receive a cash injection or a major government contract.

Australia

LARGE turnover in selected stocks in the run-up to today's expiry of April options held up overall volume levels in a day of otherwise thin and mixed trading.

The All Ordinaries index rose 2.3 to 1,443.5, while the All Mining was down 0.9 at 691.8.

Banks and entrepreneurial stocks were the most heavily sought industrials. NAB gained 6 cents to A$5.30, ANZ rose 2 cents *to A$4.30* and Westpac was unchanged at A$6.06.

Rothmans increased 50 cents to A$8.50 *after Sir Ron Brierley's* Industrial Equity, steady at A$1.78, said it had raised its stake *in the company to 15 per cent* from 13 per cent.

Bell Resources gained 2 cents *to A$1.62 on volume of about 3m* shares on speculation that the company could receive a higher takeover offer than that of A$1.50 a share from Sir Ron and Mr Kerry Packer.

Trading in Australian Guarantee was suspended at the close following its takeover by Westpac Banking.

Hong Kong

WALL STREET'S recent gains and the stable US dollar left Hong Kong share prices almost unchanged. The Hang Seng index gained 6.05 to 2,592.02 in thin turnover of HK$838m.

Overseas institutions stayed away pending today's release of the first draft of the basic law that will serve as a mini constitution after the territory returns to Chinese rule in 1997.

Dah Sing Financial lost 20 cents to HK$6.45 following its report of HK$19.67m profits.

Poll upset for Seoul

SOUTH Korean shares plunged in thin volume yesterday as the ruling party's failure to win a parliamentary majority in Tuesday's elections sent small investors rushing for cover, *writes Alison Maitland.*

The composite index suffered one of its biggest single-day falls, dropping 25.97, or just over 4 per cent, to 618.73 amid surprise at the setback for the Democratic Justice Party and worries about the uncertainties ahead.

"People were hoping the political situation would now clarify," said one analyst. "The fact that isn't the case is the reason why the market is down."

Speculative stocks, notably in the construction and financial sectors, led falls, with 322 of the 429 listed shares registering maximum daily losses. Hyundai Construction fell Won 800 to Won 16,600 and Daewoo Securities lost Won 1,600 to Won 42,200.

The London-listed Korea-Euro Fund, one of the vehicles for foreign investors, saw heavy selling yesterday morning, especially from Japan and Hong Kong. The middle price for the fund fell from $28½ on Tuesday to $27 before recovering slightly. In New York, the Korea Fund was off $4 at $70⅞ in early trading.

Turnover in Seoul amounted to 4.1m shares, the lowest this year, compared with a daily average of about 7m, according to Mr Ilyas Khan, analyst with Citicorp Scrimgeour Vickers in London.

"There was a lack of interest from the institutions," he said. "It would be more worrying if we saw a continuation of these volumes, but we don't think that will happen." Most analysts agreed that the setback was likely to be short-lived.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 27 1988					TUESDAY APRIL 26 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	119.05	-1.4	94.03	106.30	4.09	120.74	95.47	106.13	122.31	91.16	128.99
Austria (16)	91.36	-0.2	72.16	79.62	2.63	91.51	72.36	79.62	98.18	84.35	91.10
Belgium (65)	125.12	-0.3	98.83	109.08	4.58	125.52	99.25	109.11	139.89	99.14	120.24
Canada (126)	124.07	-0.1	98.00	110.37	3.02	124.20	98.20	110.48	125.49	107.06	125.38
Denmark (39)	119.72	-0.4	94.56	105.02	2.74	120.20	95.05	105.16	123.36	111.42	113.96
Finland (25)	127.31	-0.2	100.56	106.98	1.96	127.60	100.89	106.83	127.89	106.78	–
France (121)	89.69	+0.3	70.85	79.99	3.94	89.42	70.71	79.82	89.69	72.77	120.45
West Germany (99)	76.64	+0.0	60.54	66.74	2.75	76.63	60.59	66.73	80.79	67.78	94.12
Hong Kong (46)	102.50	+0.2	80.96	102.87	4.43	102.27	80.86	102.62	105.83	84.90	102.53
Ireland (18)	121.61	+0.8	96.05	107.46	4.26	120.60	95.36	106.54	123.91	104.60	119.91
Italy (102)	75.82	-1.2	59.89	70.53	2.66	76.76	60.70	71.39	81.74	62.99	110.43
Japan (457)	172.85	-0.6	136.53	136.63	0.52	173.89	137.50	137.12	177.27	133.61	149.28
Malaysia (36)	129.79	+0.0	102.52	128.84	2.81	129.81	102.64	128.68	130.18	107.83	153.67
Mexico (14)	131.49	-1.4	103.86	327.78	1.08	133.34	105.43	332.40	176.90	90.07	169.06
Netherland (38)	110.06	+1.0	86.94	94.36	4.90	108.99	86.18	93.45	110.66	95.23	113.48
New Zealand (22)	77.08	-0.2	60.88	61.23	5.36	77.26	61.09	61.51	79.15	64.42	96.15
Norway (25)	130.29	+0.4	102.91	109.07	2.71	129.78	102.62	108.82	130.29	98.55	134.09
Singapore (26)	110.01	+0.0	86.89	101.60	2.46	110.00	86.98	101.54	114.93	97.99	125.37
South Africa (60)	126.19	+1.3	99.67	79.10	5.30	124.54	98.48	78.01	139.07	118.16	168.03
Spain (42)	151.29	-0.5	119.50	126.87	3.36	151.99	120.18	127.23	155.36	130.73	112.29
Sweden (38)	123.28	+1.2	97.38	107.27	2.63	121.88	96.37	106.00	124.75	96.92	122.28
Switzerland (56)	80.39	+1.0	63.50	69.15	2.46	79.61	62.95	68.43	86.75	76.22	96.74
United Kingdom (329)	140.51	+0.5	110.99	110.99	4.30	139.86	110.59	110.59	141.18	123.09	136.58
USA (583)	107.31	+0.0	84.76	107.31	3.57	107.34	84.87	107.34	110.51	99.19	116.82
Europe (1013)	109.68	+0.3	86.63	91.68	3.80	109.40	86.50	91.47	110.71	97.01	118.07
Pacific Basin (676)	167.95	-0.6	132.66	134.01	0.70	168.97	133.61	134.46	172.26	130.81	146.83
Euro-Pacific (1689)	144.65	-0.3	114.26	117.19	1.65	145.15	114.77	117.39	147.53	120.36	135.36
North America (709)	108.21	+0.0	85.47	107.51	3.54	108.24	85.58	107.54	111.28	99.78	117.28
Europe Ex. UK (684)	90.58	+0.1	71.55	79.54	3.34	90.53	71.58	79.46	92.81	80.27	106.62
Pacific Ex. Japan (219)	108.91	-0.7	86.03	100.48	4.16	109.67	86.72	100.34	111.82	87.51	116.96
World Ex. US (1889)	143.75	-0.3	113.55	116.67	1.72	144.22	114.03	116.85	146.49	120.26	135.38
World Ex. UK (2143)	128.64	-0.3	101.61	113.69	2.09	129.03	102.02	113.87	130.28	111.77	127.31
World Ex. So. Af. (2412)	129.70	-0.2	102.45	113.67	2.29	130.01	102.80	113.81	130.96	113.26	127.87
World Ex. Japan (2015)	108.97	+0.1	86.07	101.46	3.68	108.90	86.11	101.37	110.99	100.00	118.07
The World Index (2472)	129.68	-0.2	102.43	113.42	2.31	129.98	102.78	113.55	130.92	113.37	128.12

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).